

State of Alabama

Comprehensive Annual Financial Report



For the Fiscal Year Ended September 30, 2013

Front cover: P-51C Mustang “red tail” as flown by Commemorative Air Force in the colors and markings of the Tuskegee Airmen.

Comments concerning this report should be addressed to:
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Financial Reporting Section
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Montgomery, AL 36130-2602

STATE OF ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2013



Robert Bentley
Governor

Young Boozer
State Treasurer

Bill Newton
Acting Director of Finance

Samantha Shaw
State Auditor



Prepared by the
Department of Finance, Office of the State Comptroller
Thomas L. White, Jr., CPA • State Comptroller

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Robert Bentley
Governor

Bill Newton
Acting Director of Finance

Thomas L. White, Jr., CPA
State Comptroller

Janice A. Hamm, CPA
Deputy State Comptroller

March 31, 2014

To the Honorable Governor,
Members of the State Legislature, and
the Citizens of Alabama:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the State of Alabama for the year ended September 30, 2013. I believe the information as presented is accurate in all material respects and complies with Article IV, Section 72 of the *Constitution of Alabama of 1901* and Section 41-4-3(4) of the *Code of Alabama 1975*, as amended. The completeness and fairness of the presentation, including all disclosures, rests with the State's management. This report complies with Article V, Section 137 of the *Constitution of Alabama of 1901* and Section 36-16-1(6) of the *Code of Alabama 1975*, as amended, as the financial report for the State Auditor, State Treasurer, and State Comptroller.

Introduction to the Report

Internal Controls

The internal controls in the State's accounting system have been designed to comply with Alabama statutes requiring the audit of receipts and receivables; the determination of legality and correctness of each claim and expenditure; and that funds are appropriated, allotted, and on deposit in the State Treasury before any warrant is issued. The internal controls include manual pre-audit and automated system edits. As an additional control, the State Auditor's Office is responsible for a post-audit of the accounts and records of the Department of Finance and the State Treasurer's Office. These internal accounting controls provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss or unauthorized disposition and the reliability of the financial records from which the financial reports are prepared. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefits.

Audit

This CAFR has been audited by the Department of Examiners of Public Accounts. The Examiners conducted their audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Examiners' unmodified opinion appears at the beginning of the financial section of this report. The State will also undergo an audit of federal programs to conform to the requirements of the *Single Audit Act Amendments of 1996* and the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Information relating to the single audit, including the schedule of expenditures of federal awards, and audit findings and recommendations, is issued in a separate report and will be available at a later date from the Department of Examiners of Public Accounts.

Management's Discussion and Analysis

Governmental Accounting Standards Board (GASB) Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report. The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, the MD&A focuses on the State's major funds, such as the General Fund, Education Trust Fund, Alabama Trust Fund, and Unemployment Compensation Trust Fund.

Profile of the Government

Reporting Entity

This report presents financial information on all of State government as a single reporting entity. While state law allows many state organizations to operate largely independent of the daily central control and scrutiny of the Department of Finance, State Auditor, and State Treasurer, this report combines the financial data of all state organizations in order to present a comprehensive picture of state finances. The numerous departments, agencies, elected officials, boards, commissions, authorities, colleges, universities, and other organizational units of the State are included in this report in accordance with standards established by the Governmental Accounting Standards Board. These standards make a distinction between organizations which are considered to be part of the primary government of the State and those which are component units. A component unit is defined as a legally separate corporate entity for which the State is considered to be financially accountable. The criteria used to determine financial accountability include the appointment of a majority of the governing board, the ability of the State to impose its will on the organization, and the potential for the organization to be a financial benefit or financial burden to the State. The State is also considered financially accountable for any organization having an independently appointed board if that organization is fiscally dependent on the State. An organization is fiscally dependent if it is unable to adopt a budget, set rates or charges, or issue bonded debt without the approval of the State. Component units can be reported as if they are a part of the primary government ("blended presentation") if they provide services solely to the government or if their debt is repaid solely by the government, but many of the State's component units do not and are therefore presented separately ("discrete presentation") in these financial statements. The largest of the blended component units includes the Public School and College Authority, Department of Mental Health, and the Federal Aid Highway Finance Authority. The major discretely presented component units are the University of Alabama, Auburn University, the University of South Alabama, the Alabama Housing Finance Authority, the Public Education Employees' Health Insurance Board, and the State Employees' Health Insurance Board. Note 1 to the financial statements provides a more complete description of the State's reporting entity.

Budgetary Controls

Budgetary control is exercised through the Executive Budget Office of the Department of Finance based on the Appropriation Acts of the State Legislature. Alabama's annual Appropriation Acts include legally adopted budgets for the General Fund, the Education Trust Fund, and other budgeted funds. The Appropriation Acts identify the source of funding and the programmatic (functional) areas for which expenditures are authorized. Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. In the event that revenue collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft in any fiscal year for which appropriations are made. Allotments of appropriations are made quarterly based on plans of operations submitted by the departments and agencies. These appropriations and allotments are enforced by automated edits that prevent allotments in excess of appropriations and expenditures in excess of allotments. Encumbrance accounting is utilized as purchase orders are issued to insure that purchase orders plus expenditures do not exceed allotment balances. Controls are further tightened at fiscal year-end by verifying that the total of purchase orders plus expenditures plus any obligations (accounts payable) incurred against fiscal year appropriations do not exceed allotments, and remaining allotments do not exceed cash in the Treasury.

Cash Controls

The State's controls on cash are fiscally very conservative. Amendment 26 to the *Constitution of Alabama of 1901* prohibits the State Comptroller from drawing warrants on the State Treasury unless there is money on hand to cover those warrants. This is more restrictive at the end of the fiscal year when obligations (encumbrances and accounts payable) cannot exceed the available cash balance (cash less warrants payable). This control is enforced by automated edits and tends to result in positive fund balances, even when generally accepted accounting principles (GAAP) basis accruals are made in the financial statements. Compliance with Amendment 26 is demonstrated in the following exhibits for the General Fund and the Education Trust Fund.

Summary of Receipts, Disbursements, and Cash Balances
General Fund
Last Five Fiscal Years - Cash Basis (Treasury Cash Only)
(Amounts in Thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Beginning Cash Balance, October 1	\$ 82,198	\$ 78,027	\$ 135,668	\$ 187,281	\$ 264,727
Receipts	1,725,226	1,683,865	1,517,092	1,428,089	1,602,572
Disbursements	<u>1,685,220</u>	<u>1,679,694</u>	<u>1,574,733</u>	<u>1,479,702</u>	<u>1,680,018</u>
Net Increase (Decrease) in Cash Balance	40,006	4,171	(57,641)	(51,613)	(77,446)
Ending Cash Balance, September 30	122,204	82,198	78,027	135,668	187,281
Cash Balance Reserved for Obligations	<u>60,901</u>	<u>39,825</u>	<u>33,640</u>	<u>40,974</u>	<u>46,971</u>
Unobligated Cash Balance, September 30	<u>\$ 61,303</u>	<u>\$ 42,373</u>	<u>\$ 44,387</u>	<u>\$ 94,694</u>	<u>\$ 140,310</u>

Summary of Receipts, Disbursements, and Cash Balances
Education Trust Fund
Last Five Fiscal Years - Cash Basis (Treasury Cash Only)
(Amounts in Thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Beginning Cash Balance, October 1	\$ 97,745	\$ 59,280	\$ 80,532	\$ 51,280	\$ 48,003
Receipts	5,683,296	5,704,208	5,337,664	5,217,470	5,679,120
Disbursements	<u>5,455,123</u>	<u>5,665,743</u>	<u>5,358,916</u>	<u>5,188,218</u>	<u>5,675,843</u>
Net Increase (Decrease) in Cash Balance	228,173	38,465	(21,252)	29,252	3,277
Ending Cash Balance, September 30	325,918	97,745	59,280	80,532	51,280
Cash Balance Reserved for Obligations	<u>59,743</u>	<u>77,800</u>	<u>50,676</u>	<u>68,759</u>	<u>51,280</u>
Unobligated Cash Balance, September 30	<u>\$ 266,175</u>	<u>\$ 19,945</u>	<u>\$ 8,604</u>	<u>\$ 11,773</u>	<u>\$ -</u>

General Fund and Education Trust Fund Balances

The fund balances for the General Fund and the Education Trust Fund for the last five fiscal years are presented in the following table. The fiscally conservative nature of Amendment 26 to the *Constitution of Alabama of 1901* tends to produce positive fund balances. However, in 2009 the Education Trust Fund used the provisions of Amendment 803 to the *Constitution of Alabama of 1901* to borrow \$437.4 million from the Alabama Trust Fund in order to avoid deeper cuts from proration. The General Fund borrowed \$161.6 million in 2010 under the provisions of Amendment 803 to the *Constitution of Alabama of 1901*. The full amount of the loan to the General Fund remains outstanding and \$423 million remains outstanding for the Education Trust Fund. The loans left the Education Trust Fund with a deficit fund balance the past five years.

Fund Balances - GAAP Basis

(Amounts in Millions)

	2013	2012	2011	2010	2009
General Fund	\$ 94.5	\$ 13.3	\$ (20.2)	\$ 84.7	\$ 222.1
Education Trust Fund	(93.7)	(291.8)	(203.1)	(244.5)	(221.5)

Cash Management

The State Treasurer has the responsibility for the investment of cash balances. In accordance with statutory requirements, treasury cash may be invested in Alabama bank deposits, repurchase agreements, U.S. Treasury securities and Agency securities.

The State Treasurer has placed considerable emphasis on cash management. In cooperation with state agencies, the receiving of funds into the State Treasury is expedited, with all excess funds earning interest. Investment earnings received during the 2013 fiscal year were as follows:

Bank Deposits	\$ 5.0 million
US Treasury and Agency Securities	\$ 9.8 million

Investment earnings are deposited in the State's General Fund to be appropriated by the State Legislature for government operations. In addition to the management of the investment of these funds, the State Treasurer initiates investments for several state agencies, with investment earnings being credited to those agencies.

Economic Condition and Outlook

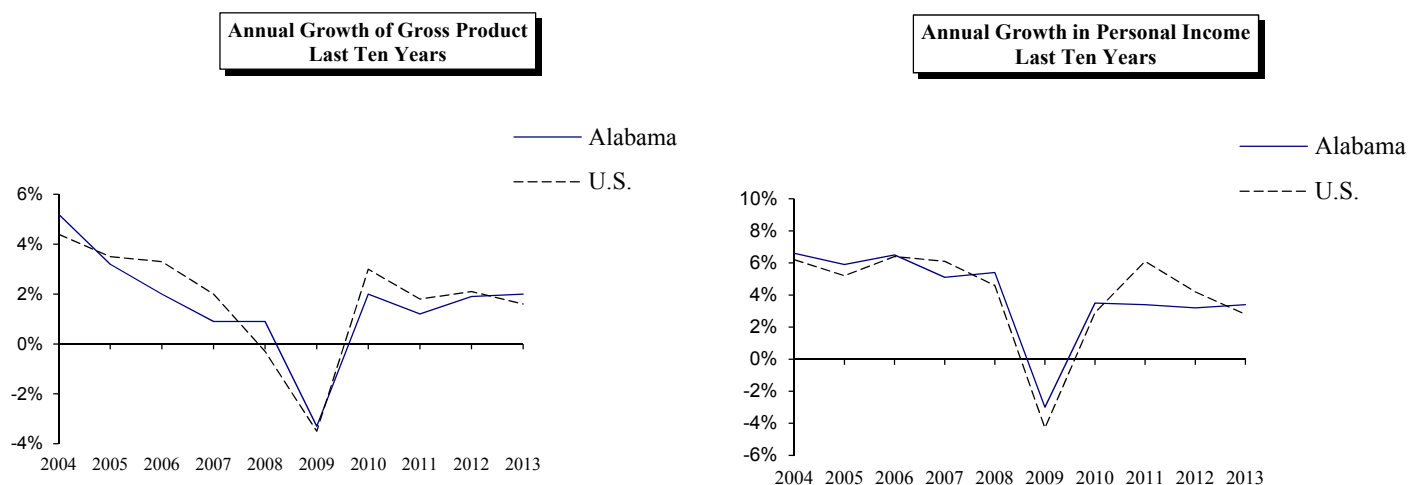
In 2013, Alabama's economy grew at a slightly higher pace than in 2012. Consumer spending increased moderately as Alabama's gross domestic product (ALGDP) rose by 2.0 percent. The State's unemployment rate decreased significantly in 2013 to 6.5 percent which compares favorably with the national average of 7.5 percent. State tax revenues increased 4.0 percent. Sales tax receipts were up 1.6 percent and income tax receipts rose 6.1 percent.

Alabama gained only 300 jobs during 2013. Industries with significant job increases included manufacturing, leisure and support, administrative support and waste management services, and motor vehicles and parts dealers. However, there were substantial job losses in state, federal, and local government. Other industries such as professional, scientific, and technical services, transportation and warehousing, and construction also saw considerable losses.

Manufacturing sector output rose by 3.9 percent during the period October 2012 to October 2013, with an upsurge of 13.4 percent for manufacturers of motor vehicles and parts and an increase of 5.8 percent for computer and electronic products during this period. Other transportation equipment and fabricated metals also contributed to the growth in manufacturing output with an increase of 4.7 percent and 4.6 percent, respectively. The construction sector's output showed some improvement in the period October 2012 to October 2013 with real output growing by 1.1 percent. However, construction related employment continued to decline. Wholesale trade grew 2.0 percent but was accompanied by a 1.0 percent decrease in employment for the period October 2012 to October 2013 period. Retail output rose 1.0 percent with an employment increase of 0.4 percent.

Alabama exports saw a slight decrease from \$14.9 billion in the first nine months of 2012 compared to exports of \$14.3 billion during the first nine month period of 2013 according to data from the U.S. Census Bureau. Exports to Canada, Alabama's largest trade partner, increased by 12.5 percent for the first nine months of 2013. Other major export destinations for Alabama products included Germany, Mexico, China, Japan, the United Kingdom, and Brazil. For the first three quarters of 2013, transportation equipment exports amounted to \$6.1 billion, a 7.9 percent increase from the same period in 2012. Other major exports during the first three quarters of 2013 were chemicals, minerals and ores, machinery, paper products, primary metals, and computers and electronic products.

Alabama's economy is expected to expand moderately in 2014 with a 2.4 percent increase in output. Non-agricultural employment is expected to experience a slight gain of 1.3 percent. Manufacturing and services employers will be the major economic drivers in 2014. These include firms in industries such as automotive manufacturing, aerospace, tourism, healthcare, and biotechnology. However, until uncertainties about federal spending priorities, as well as deficit reduction plans are resolved, many private contractors and government facilities engaged in defense-related projects will be cautious in hiring and investment.



Source: Center for Business and Economic Research, University of Alabama
University Outreach, Auburn University Montgomery

Awards

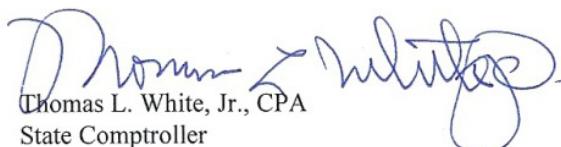
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alabama for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2012. This was the fifteenth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Production of this report would not have been possible without the assistance of all state organizations which supplied financial information vital to the accuracy of this report. As we strive to produce this report in future years and to further enhance its quality, the continued support and cooperation of all agencies remain essential. I also wish to express my appreciation to the entire staff in the Division of Control and Accounts, whose daily efforts to improve the accountability of state government make the quality of this report possible.

Respectfully submitted,


Thomas L. White, Jr., CPA
State Comptroller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

PRINCIPAL STATE OFFICIALS

September 30, 2013

EXECUTIVE BRANCH

Robert J. Bentley
Governor

Kay Ivey
Lt. Governor

Young Boozer
State Treasurer

Jim Bennett
Secretary of State

John McMillan
Commissioner of Agriculture
and Industries

Luther Strange
Attorney General

Samantha Shaw
State Auditor

JUDICIAL BRANCH

Roy S. Moore
Chief Justice of the Supreme Court

Justices of the Supreme Court

Glenn Murdock

Alisa K. Wise

Michael F. Bolin

James Allen Main

Greg Shaw

Lyn Stuart

Tommy Bryan

Tom Parker

LEGISLATIVE BRANCH

Del Marsh
Senate President, Pro Tempore

Mike Hubbard
Speaker of the House

Ronald L. Jones
Examiners of Public Accounts

Norris Green
Legislative Fiscal Office

Jerry Bassett
Legislative Reference Service

EXECUTIVE BRANCH DEPARTMENTS

Bill Newton , Acting
Department of Finance

H. Mac Gipson
ABC Board

Greg Canfield
Department of Commerce

Neal Morrison
Department of Senior Services

John D. Harrison
State Banking Department

N. Gunter Guy, Jr.
Department of Conservation
and Natural Resources

Hugh B. McCall
Department of Public Safety

James K. Lyons
Alabama State Port Authority

Cynthia S. Dillard
Board of Pardons and Paroles

Jim Byard, Jr.
ADECA

Major General Perry G. Smith
State Military Department

Nancy Buckner
Department of Human Resources

Tom Surtees
Department of Labor

Jim Reddoch
Department of Mental Health

Lee Sentell
Department of Tourism and Travel

Jeana Ross
Department of Children's Affairs

Kim Thomas
Department of Corrections

Art Faulkner
Emergency Management Agency

John R. Cooper
Department of Transportation

Brunson White
Secretary of Information

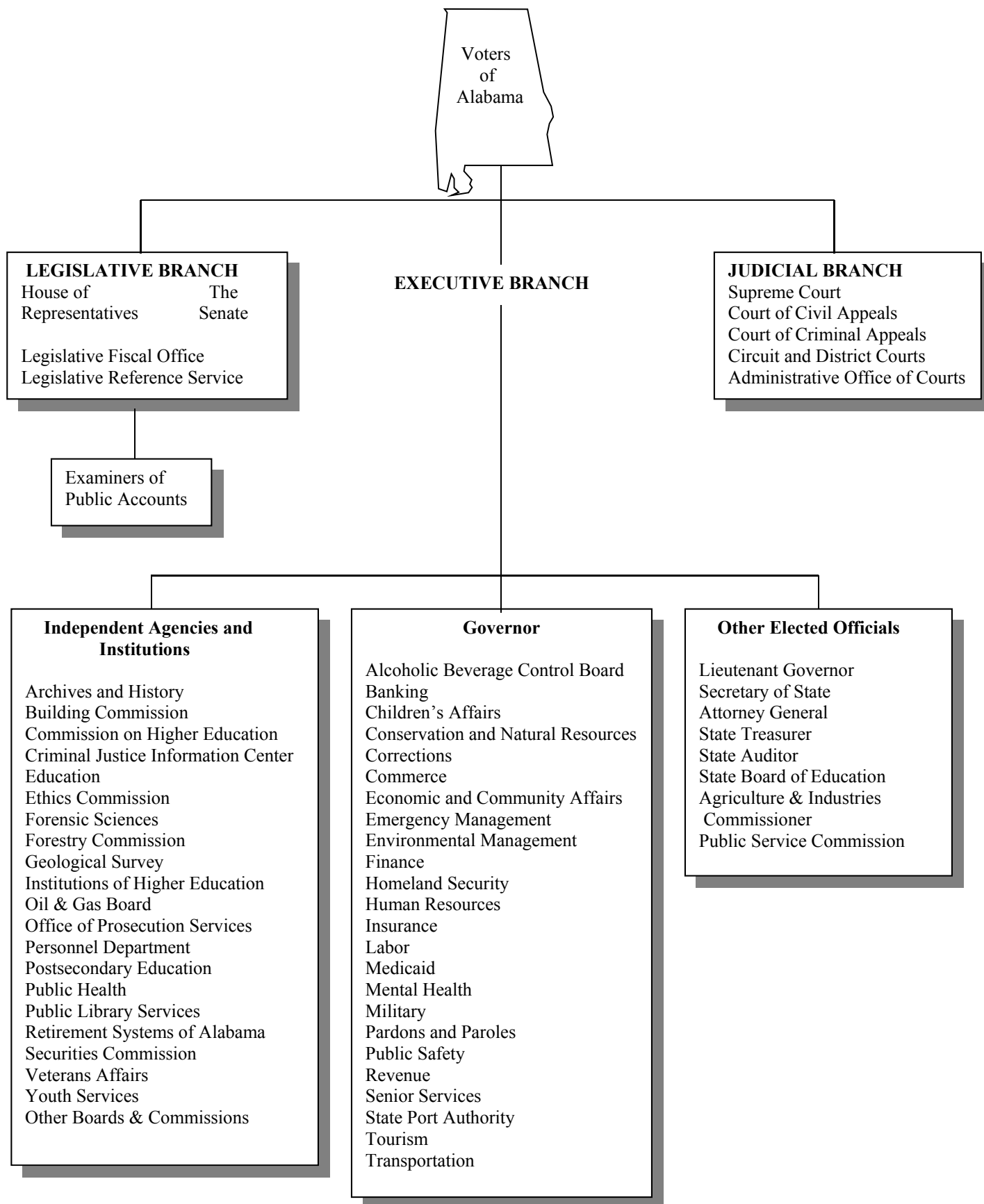
Stephanie McGee Azar
Alabama Medicaid Agency

Julie P. Magee
Department of Revenue

Jim L. Ridling
Department of Insurance

Spencer Collier
Office of Homeland Security

ORGANIZATION CHART





State of Alabama
Department of
Examiners of Public Accounts

Ronald L. Jones
Chief Examiner

Independent Auditor's Report

Honorable Robert J. Bentley, Governor
State of Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the State of Alabama.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain agencies and funds. These agencies and funds reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities: Alabama Public Health Care Authority	.07%	0%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	30%	9%

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Aggregate Discretely Presented Component Units: State Employees' Insurance Board Public Education Employees' Health Insurance Fund Alabama Housing Finance Authority Alabama Water Pollution Control Authority Alabama Drinking Water Finance Authority Space Science Exhibit Commission University of Alabama Auburn University University of South Alabama University of Montevallo	88%	88%
Proprietary/Enterprise Fund: Alabama State Port Authority	100%	100%
Aggregate Remaining Fund Information: Alabama Health Insurance Plan Retirement Systems of Alabama Employees' Savings Plans (PEIRAF and RSA-1) Retired Education Employees' Health Care Trust Retired State Employees' Health Care Trust Prepaid Affordable College Tuition Program Alabama College Education Savings Plan Alabama Public Health Care Authority	89%	59%

The financial statements of these agencies and funds were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Retirement Systems of Alabama, the RSA Employees' Savings Plans (the Public Employees' Individual Retirement Account Fund and the RSA-1 Deferred Compensation Plan), the Public Education Employees' Health Insurance Fund, the State Employees' Insurance Board, the Retired Education Employees' Health Care Trust, the Retired State Employees' Health Care Trust, and the Alabama Health Insurance Plan were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Alabama's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of September 30, 2013, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1-F to the financial statements, in 2013 the State of Alabama implemented new accounting principles GASB Statement No. 60, Accounting and Financial Reporting for Service Concessions Arrangements; GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34; GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements; and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, and the other Required Supplementary Information, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

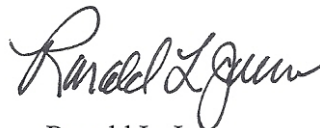
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Alabama's basic financial statements. The accompanying supplementary information which includes the combining and individual fund statements and schedules, and the accompanying other information which includes the introductory and statistical sections, listed in the accompanying table of contents, are presented for the purposes of additional information and are not a required part of the basic financial statements.

The accompanying supplementary information (combining and individual fund statements and schedules) is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of American. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information (introductory and statistical sections) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 on our consideration of the State of Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Alabama's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama
March 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the State of Alabama for the fiscal year ended September 30, 2013. Please consider the information presented here in conjunction with the letter of transmittal, which is located in the Introductory Section of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

- The State's net position increased by \$434 million during the fiscal year. The assets of the State exceeded its liabilities at the close of the fiscal year by \$23.5 billion (*net position*). Of this amount, \$20.9 billion was invested in capital assets (net of related debt), and \$2.9 billion was Alabama Trust Capital.
- The Change in Net Position in governmental activities was \$271 million.
- Governmental activities have \$3.3 billion in investments, \$2.3 billion of which is held in the Alabama Trust Fund.
- Tax revenues increased \$318 million, or 4.2 percent as the economy continued to improve.
- Income tax revenues increased \$213 million, or 6 percent.
- Revenues and expenses overall were flat. Revenues declined \$126 million, or 0.6 percent while expenses increased \$116 million, or 0.6 percent.
- The business-type activities reported net position at year-end of \$1.6 billion, an increase of \$163 million for the fiscal year. The Unemployment Compensation Trust Fund cash grew by \$141 million. The Alabama Community College System had an increase in capital assets of \$32 million.
- The State's total bond debt at the end of the fiscal year was \$4.9 billion, an increase of \$535 million.
- The State issued \$33 million in new general obligation bonds and \$533 million in revenue bonds.
- Capital Assets increased \$433 million, which includes \$372 million in infrastructure assets.
- The Alabama Trust fund balance decreased slightly by \$60 million and now stands at \$2.9 billion.
- The Alabama Trust Fund receivable from the General Fund and the Education Trust Fund remains at \$585 million.
- General Fund revenues increased \$102 million, which includes \$90 million in new revenues from changes to use tax.
- On a budgetary basis, General Fund revenues and other sources exceeded expenditures and other uses by \$40 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$82 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.
- The General Fund budget was not prorated and the Medicaid Agency has unexpended General Fund appropriations of \$47 million to carry over to fiscal year 2014. The Education Trust Fund (ETF) is budgeted to pay back \$295 million to the Alabama Trust Fund based primarily on the Rolling Reserve Act cap on the fiscal year 2013 appropriations.

Overview of the Financial Statements

This discussion and analysis is an introduction to the State of Alabama's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* provide a broad overview of the State's financial position and activities measured in a manner similar to a private-sector business. Assets, liabilities, revenues, expenses, gains, and losses are measured and reported using the economic resources measurement focus and accrual basis of accounting. The government-wide financial statements exclude fiduciary activities.

The *Statement of Net Position* presents information on all of the State's assets, liabilities, deferred inflows, and deferred outflows at the end of the fiscal year. The difference between the State's assets and its liabilities is its net position. Increases or decreases in net position from year to year may serve as a useful indicator of whether the financial position of the State is improving or not.

The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the State include general government, economic development and regulation, education and cultural resources, natural resources and recreation, health-physical and mental, social services, protection of persons and property, and transportation. Examples of business-type activities of the State are operation of the State's system of community and technical colleges, unemployment compensation services, operation of facilities for the distribution and sale of alcoholic beverages, and shipping services at the Port of Mobile.

The government-wide financial statements include not only the State of Alabama itself (known as the *primary government*), but also legally separate *component units* for which the State is financially accountable. The major *component units* include the Housing Finance Authority, State Employees' Insurance Board, Public Education Employees' Health Insurance Board, University of Alabama, Auburn University, and University of South Alabama. Financial information for the *component units* is reported in a separate column from the financial information presented for the primary government. The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A *fund* is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Most of the State's basic services are reported in governmental funds. The governmental fund financial statements focus on near-term inflows and outflows of resources of these funds and the balances of those resources available at year-end. These funds are measured and reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances are followed by a reconciliation to the government-wide statements.

The types of funds which are categorized as governmental funds are the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Alabama Trust Fund, Education Trust Fund, Public Road and Bridge Fund, Public Welfare Trust Fund, and Alabama Medicaid Fund, all of

which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single aggregated column on the basic financial statements. Individual fund data for each of the nonmajor governmental funds can be found in the combining and individual fund statements and schedules section of this report.

Proprietary funds

Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds: enterprise funds and internal service funds. Like the government-wide statements, proprietary funds use the accrual basis of accounting.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds report activities that provide supplies and services to the general public in a manner similar to private business enterprises. The major enterprise funds are the Unemployment Compensation Trust, State Port Authority, Alabama Community College System, and the Alcoholic Beverage Control Board. Individual fund data for each of the nonmajor enterprise funds can be found in the combining and individual fund statements and schedules section of this report.

Internal service funds report activities that provide supplies and services to other state agencies on a cost-reimbursement basis. These funds are reported as governmental activities on the government-wide financial statements. These funds provide computer services, information technology, telecommunications, rental of office buildings, janitorial services, building maintenance, manufacturing activities, and liability protection. The internal service funds are aggregated in a single column on the proprietary fund statements.

Fiduciary funds

The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These funds, which include pension and other employee benefits, private-purpose, and agency funds are reported using accrual accounting. The government-wide financial statements exclude fiduciary fund activities and balances because the resources of those funds are not available to support the State's own programs.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They explain amounts shown in the financial statements and provide additional information that is essential to the fair presentation of the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes (1) budgetary comparison schedule reconciling the budgetary fund balances and generally accepted accounting principles fund balances at fiscal year-end, (2) ten year loss development information for the State Insurance Fund, (3) a schedule of funding progress for the Employees' Retirement System, (4) a schedule of funding progress for the Judicial Retirement Fund, (5) a schedule of funding progress for the Retired State Employees' Health Care Trust and related notes, and (6) information about infrastructure assets reported using the modified approach.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

Government-wide Financial Analysis**Net Position**

Net position may serve over time as a useful indicator of a government's financial position. The State's combined assets exceeded liabilities by \$23.5 billion as of September 30. The largest component (89 percent) of the State's net position reflects its investment in capital assets, such as land, buildings, equipment, and infrastructure (e.g., roads, bridges, tunnels), less any related outstanding debt used to acquire those assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Capital Assets increased \$433 million, which included \$372 million in increases in infrastructure and infrastructure construction in progress.

The total of Current and Other Assets is \$9.8 billion, an increase of \$638 million, or 7 percent. Included in that amount was cash and cash equivalents of \$3.8 billion and \$1.1 billion due from other governments. The balance also includes \$3.4 billion in investments, \$2.3 billion of which is held in the Alabama Trust Fund.

Long-term liabilities increased 12 percent, or \$664 million. \$570 million was an increase in bonds payable. The State issued \$566 million in new bonds payable, primarily for schools and roads. 73 percent of total liabilities are in long-term liabilities. The State has \$6 billion in long term liabilities, which includes \$4.9 billion in bonds payable and \$840 million in post employment health care benefit liabilities. Bond debt increased by \$535 million while post employment health care benefit liabilities rose \$153 million. Business-type Current and Other Assets increased \$139 million, or 16 percent. Business-type capital assets increased \$33 million, or 2 percent. The College System alone had \$32 million more in capital assets at year-end resulting from building additions and construction in progress.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or legislative restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net position. The State's net position that is unrelated to capital assets includes \$7.5 billion in restricted net position, an increase of \$970 million. Unrestricted net position represents the remaining amount of net position that may be used to meet the State's ongoing obligations that are not funded by resources that are restricted. The State has a deficit in unrestricted net position of \$4.9 billion, almost all of which is in governmental activities.

Net Position as of September 30

(Amounts in Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 8,778,508	\$ 8,278,579	\$ 993,814	\$ 855,246	\$ 9,772,322	\$ 9,133,825
Capital Assets	20,440,242	20,040,036	1,504,977	1,471,873	21,945,219	21,511,909
Total Assets	<u>29,218,750</u>	<u>28,318,615</u>	<u>2,498,791</u>	<u>2,327,119</u>	<u>31,717,541</u>	<u>30,645,734</u>
Long-term Liabilities	5,309,491	4,638,290	695,848	703,391	6,005,339	5,341,681
Other Liabilities	1,941,177	1,983,077	237,864	221,903	2,179,041	2,204,980
Total Liabilities	<u>7,250,668</u>	<u>6,621,367</u>	<u>933,712</u>	<u>925,294</u>	<u>8,184,380</u>	<u>7,546,661</u>
Net Position						
Invested in Capital Assets,						
Net of Related Debt	20,030,459	19,639,559	861,684	879,370	20,892,143	20,518,929
Restricted	6,837,835	6,034,129	708,617	542,740	7,546,452	6,576,869
Unrestricted	(4,900,212)	(3,976,440)	(5,222)	(20,284)	(4,905,434)	(3,996,724)
Total Net Position	<u>\$ 21,968,082</u>	<u>\$ 21,697,248</u>	<u>\$ 1,565,079</u>	<u>\$ 1,401,826</u>	<u>\$ 23,533,161</u>	<u>\$ 23,099,074</u>

Change in Net Position

The table on the following page was derived from the government-wide Statement of Activities. Revenue is categorized as either program revenue, which is generated by the program itself, or is received from another government, or general revenue. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. As a result of the excess of revenues over expenses, the State's net position increased by \$434 million during the fiscal year. Taxes provided \$7.9 billion, or approximately 37 percent, of the State's total revenue. Tax revenues increased by \$318 million, or 4 percent, compared to the previous year as the economy continued to improve. \$213 million of the increased revenue was income taxes, which was up 6 percent. Operating Grants and Contributions revenue decreased \$355 million, or 4 percent to \$ 8.6 billion. Federal funding for unemployment compensation benefits was \$200 million less. Capital Grants and Contributions increased \$112 million, or 13 percent, to \$982 million as federal funding for transportation projects increased. Charges for Services revenue decreased \$119 million, or 5 percent.

General revenues, which include taxes, were \$9.3 billion, a decrease of \$209 million, or 2 percent. Investment earnings were \$214 million, a drop of \$79 million, or 27 percent from last year. In total, revenues and expenses were both flat. Total revenues were down \$126 million, or 0.6 percent, and total expenses were up \$116 million, or 0.6 percent.

Governmental Activities

Total revenues for governmental activities for the fiscal year were \$19.6 billion, a slight increase of \$125 million or 0.6 percent. Charges for Services was down \$104 million, or 8 percent, Operating Grants and Contributions decreased \$115 million, or 1 percent, and Unrestricted Investment Earnings was down \$78 million. Taxes increased \$318 million, or 4 percent, on the strength of improved income tax revenues, and Capital Grants and Contributions increased \$112 million, or 13 percent because of increased federal funding for transportation projects.

Expenses for governmental type activities increased \$350 million or 2 percent. Education and Cultural Resources spending increased \$142 million, or 2 percent, Transportation increased \$126 million, or 10.5 percent, General Government increased \$96 million or 10 percent, primarily because grants to local governments increased. Protection of Persons and Property decreased \$65 million or 6 percent, as spending by the Department of Corrections declined \$51 million. Economic Development and Regulation increased over 22 percent, or \$22 million. The Incentives Finance Authority has begun to make grants for major industrial projects such as Airbus from the proceeds of the bonds issued early in the fiscal year. Debt Service was up 16 percent, or \$25 million because the first interest payments became due on several new bond issues from the past couple of years.

Business-type Activities

The largest business-type activity is the Alabama Community College System, which accounts for 65 percent of business-type net position. The other major business-type activities are the Alabama Port Authority, the Alcoholic Beverage Control Board, and the Unemployment Compensation Trust. During the fiscal year the net position of business-type activities increased by \$163 million. Revenues of business-type activities totaled \$1.6 billion, a decrease of \$252 million, or 14 percent. Most of this revenue was self-generated program revenues; only \$29 million of the \$1.6 billion revenues came from general revenues. The program revenues consisted of \$1.1 billion of charges for services, a 1 percent decrease, and \$473 million of operating grants and contributions, a 34 percent decrease. Operating Grants and Contributions decreased because Federal grants for unemployment was down as a result of fewer unemployment claims. Of the \$259 million in net transfers between governmental activities and business-type activities, most of the transfers are from the Education Trust Fund to the Alabama Community College System as mandated by the legislature in the appropriation acts.

Overall business-type expenses were \$1.7 billion, down by \$235 million, or 12 percent, primarily because Unemployment Compensation expenses decreased \$244 million, or 35 percent. Unemployment Compensation expenses decreased because the unemployment rate in Alabama decreased and some claimants exhausted their benefits. The cash balance in the Unemployment Compensation Trust Fund grew by \$141 million because of this decrease in expenses for claims. Port Authority expenses were up \$4 million, or 3 percent, because of higher personnel, engineering, environmental, and rental costs. Alcoholic Beverage Control Board expenses were up \$8 million, or 3 percent.

The Alabama Community College System's net position increased \$17 million in 2013, because tuition increased and expenses were less than the prior year. Tuition increased by \$2 per credit hour. The expenses decreased during the year because student scholarships and various other expenses were less. The College System has an operating loss of \$586 million. However, federal grants of \$309 million and transfers from the ETF and other governmental funds of \$289 million resulted in an increase in net position. Federal revenue declined primarily because of the reduction in Pell benefits caused by changes in Pell regulations coupled with a decrease in enrollment. Also, transfers from other funds were \$6 million more than the prior year.

**Changes in Net Position
For the Fiscal Year Ended September 30**

(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,288,008	\$ 1,392,313	\$1,105,422	\$ 1,119,939	\$ 2,393,430	\$ 2,512,252
Operating Grants and Contributions	8,097,400	8,212,505	473,220	713,385	8,570,620	8,925,890
Capital Grants and Contributions	976,217	864,113	6,398	6,469	982,615	870,582
General Revenues:						
Taxes	7,926,757	7,608,870	11,864	11,832	7,938,621	7,620,702
Grants and Contributions Not						
Restricted to Specific Programs	10,421	9,140	-	-	10,421	9,140
Unrestricted Investment Earnings	213,955	292,612	-	-	213,955	292,612
Miscellaneous	1,097,897	1,105,929	17,625	14,560	1,115,522	1,120,489
Total Revenues	<u>19,610,655</u>	<u>19,485,482</u>	<u>1,614,529</u>	<u>1,866,185</u>	<u>21,225,184</u>	<u>21,351,667</u>
Expenses:						
Economic Development and Regulation	121,943	99,743			121,943	99,743
Education and Cultural Resources	6,336,474	6,194,484			6,336,474	6,194,484
Natural Resources and Recreation	124,496	143,111			124,496	143,111
Health	6,423,848	6,407,799			6,423,848	6,407,799
Social Services	2,448,767	2,441,385			2,448,767	2,441,385
Protection of Persons and Property	1,081,878	1,146,584			1,081,878	1,146,584
Transportation	1,322,599	1,197,030			1,322,599	1,197,030
General Government	1,041,662	945,638			1,041,662	945,638
Debt Service - Interest and Other Charges	179,069	154,425			179,069	154,425
Unemployment Compensation			458,063	701,971	458,063	701,971
State Port Authority			137,109	133,570	137,109	133,570
Alabama Community College System			772,002	773,666	772,002	773,666
Alcoholic Beverage Control Board			282,840	274,718	282,840	274,718
Nonmajor Proprietary Funds			60,429	61,296	60,429	61,296
Total Expenses	<u>19,080,736</u>	<u>18,730,199</u>	<u>1,710,443</u>	<u>1,945,221</u>	<u>20,791,179</u>	<u>20,675,420</u>
Increase (Decrease) in Net Position						
Before Contributions and Transfers	529,919	755,283	(95,914)	(79,036)	434,005	676,247
Contributions to Permanent Funds & Endowment:	-	-	82	40	82	40
Special Items	-	-	-	-	-	-
Transfers	(259,085)	(276,228)	259,085	276,228	-	-
Change in Net Position	<u>270,834</u>	<u>479,055</u>	<u>163,253</u>	<u>197,232</u>	<u>434,087</u>	<u>676,287</u>
Net Position- Beginning	<u>21,697,248</u>	<u>21,218,193</u>	<u>1,401,826</u>	<u>1,204,594</u>	<u>23,099,074</u>	<u>22,422,787</u>
Net Position- Ending	<u>\$ 21,968,082</u>	<u>\$21,697,248</u>	<u>\$1,565,079</u>	<u>\$ 1,401,826</u>	<u>\$23,533,161</u>	<u>\$23,099,074</u>

Governmental Activities

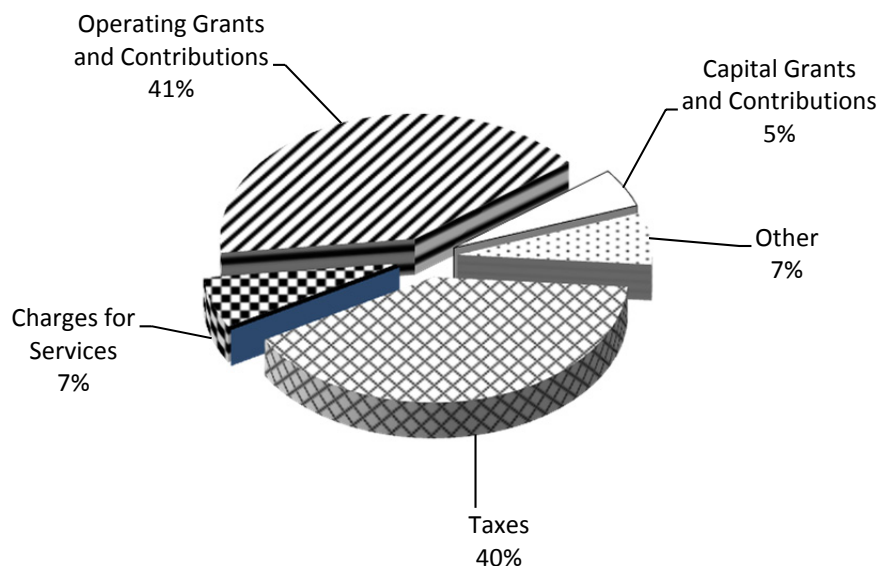
Operating grants and contributions along with taxes together accounted for 81 percent of governmental activities revenue. Operating grants and contributions are the largest, making up 41 percent of total governmental revenues, down from 42 percent in the prior year. Taxes make up 40 percent, an increase from 39 percent the previous year. Income taxes increased while federal grants decreased.

Over half of all operating grants and contributions is in the Medicaid program. The Medicaid Department, Department of Human Resources, Department of Education, and Department of Public Health together received over 90 percent of all operating grants and contributions.

Sales and use taxes, along with income taxes, make up 74 percent of taxes in governmental activities. Income taxes brought in \$3.5 billion and sales and use taxes \$2.3 billion. Sales and use taxes increased \$63 million, or 3 percent, while income taxes increased \$213 million, or 6 percent.

Capital grants and contributions remain at 5 percent of revenues. 99 percent of capital grants and contributions go to the Department of Transportation, primarily for road related projects. About 94 percent of operating grants and 95 percent of the capital grants were received from the Federal government.

Revenues - Governmental Activities Fiscal Year Ended September 30, 2013



Total operating expenses for governmental activities in this fiscal year were \$19.1 billion. Expenses for governmental activities are grouped by functional area. The two largest functional areas were (1) Education and Cultural Resources and (2) Health. These two areas together accounted for 67 percent of the governmental activities expenses for the fiscal year. Social Services accounted for 13 percent of the governmental activities expenses. Overall expenses increased by \$351 million, or 2 percent.

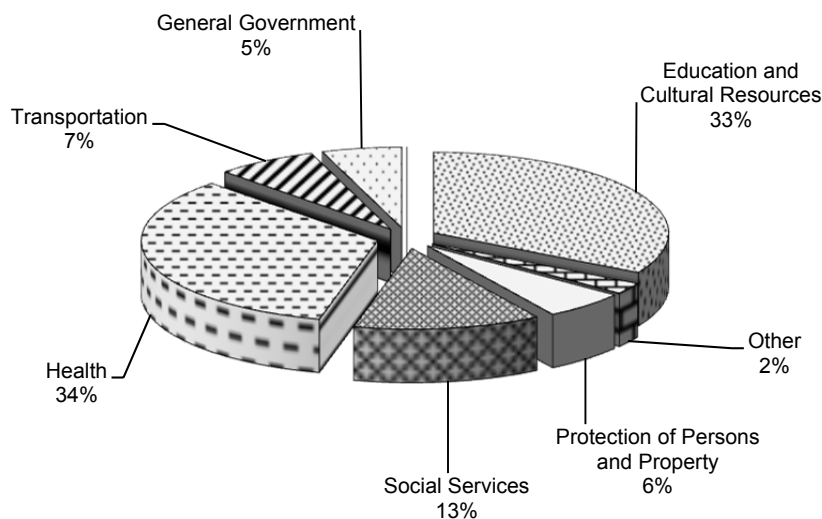
Education and Cultural Resources makes up 33 percent of governmental activity expenses, same as the previous year, while Transportation rose from 6 to 7 percent. Within Education and Cultural Resources, 89 percent is for two programs, local financial assistance for school systems and support of state universities. Financial assistance for local school systems increased \$22 million, or 0.5 percent, and support for universities decreased \$24 million, or 2 percent.

Health accounted for 34 percent of governmental activity spending, same as the last year. Medicaid programs account for 75 percent of Health spending, while the Department of Public Health and the Department of Mental Health each account for 11 percent.

Within Social Services, spending on the food assistance program makes up 60 percent of all social service spending while 16 percent is spent on children's programs. Spending on food assistance was up \$17 million, or 1 percent.

Protection of Persons and Property continues to comprise 6 percent of total spending. The Department of Corrections makes up 42 percent of Protection of Persons and Property spending, while the Department of Public Safety comprises 11 percent and Emergency Management 10 percent.

Expenses - Governmental Activities Fiscal Year Ended September 30, 2013



Financial Analysis of the State's Funds

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unassigned General Fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the governmental funds reported combined ending fund balances of \$5.9 billion. Nonspendable fund balance was \$106 million and assigned fund balance was \$51 million. \$5.9 billion is restricted to spending for specific purposes. Those restrictions have been imposed by external parties, constitutional provisions, or enabling legislation. Because restrictions and assigned amounts exceed fund balance, there is a deficit in unassigned fund balance of \$119 million. Deficit unassigned fund balances outside the General Fund indicate that expenditures incurred for specific purposes exceeded the resources restricted for those specific purposes. The largest restricted amount of \$2.9 billion is for Alabama Trust Capital. The Alabama Trust Fund originally was a permanent fund, but is now a special revenue fund because of Amendments 666 and the newly ratified Amendment 856 to the *Constitution of Alabama of 1901* which allow limited spending of principal. An additional \$3.0 billion of governmental fund balance has been restricted for a wide variety of purposes which includes \$571 million restricted for various capital projects and debt service.

The General Fund is the primary operating fund of the State. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$88 million, \$3 million nonspendable fund balance, and \$4 million assigned fund balance. Revenues for the General Fund increased \$102 million, or 8 percent, as taxes increased \$114 million, licenses, permits and fees decreased \$3 million, fines, forfeits and court settlements decreased \$7 million, other revenues decreased \$1 million, and investment income remained about the same. The largest tax distribution increase to the General Fund was \$90 million in use tax because of Act 2012-599. Act 2012-599 changed the distribution of the state use tax and imposes use tax on remote sellers.

Expenditures for the General Fund decreased \$33 million, or 2 percent. Health expenditures decreased \$5 million. Medicaid Agency accounted for 78 percent of the decrease in Health expenditures for General Fund. The Medicaid nursing home care program grants decreased \$21 million while Pharmaceutical program increased \$25 million. The Medicaid Hospital Care program in the General Fund was down \$32 million and the Physician Care Program was up \$11 million. The rest of the Medicaid Programs increased \$13 million. Protection of Persons and Property expenditures increased \$2 million. The largest spending for Protection of Persons and Property in the General Fund was related to correctional facility operations of \$365 million for the fiscal year, a decrease of \$7 million from the previous year. Spending on General Government decreased \$32 million. Most of the decline was in employee salaries and benefits of \$25 million. Due to Other Funds was relatively unchanged from the previous year because a large portion, \$162 million, is a loan owed to the Alabama Trust Fund. The money was borrowed in fiscal year 2010 to alleviate revenue shortages in accordance with Amendment 803 to the *Constitution of Alabama of 1901*.

The Education Trust Fund (ETF) is the largest governmental fund of the State. Revenues credited to the ETF are used for the support, maintenance, and development of public education in Alabama, debt service and capital improvements related to educational facilities, and other functions related to educating the State's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, scholarship programs, the State's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to non-state organizations that provide educational services to the people of Alabama. Various tax sources are allocated to the ETF, the largest of which are income tax, sales tax, utility tax, and use tax. Tax revenues in the ETF for the fiscal year were up \$98 million, or 2 percent as compared to the previous fiscal year. Income tax revenues were up by \$213 million, sales and use tax revenues were down by \$141 million and utility tax revenues were up \$25 million. Expenditures, as limited by the budget, decreased 4 percent, or \$190 million. A large portion of the decrease, \$148 million, was in Education and Cultural Resources expenditures. Within Education and Cultural Resources, the largest spending, the financial assistance to local school systems decreased \$108 million and the next largest spending which was in support of state universities, decreased \$25 million. The ETF transferred out \$419 million, with the largest of these transfers going to supplement operations of the Alabama Community College System, a major Proprietary fund. The Alabama Community College System received \$287 million in transfers as mandated by the legislature in the appropriations acts. Due to Other Funds in the ETF of \$431 million includes \$423 million owed to the Education Rainy Day Account in the Alabama Trust Fund. The ETF fund balance increased \$198 million to a deficit of \$94 million, as cash and cash equivalents increased \$217 million and Tax Refund Payables had an increase of \$32 million.

The Alabama Trust Fund consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast, as well as investment income earned on the accumulated capital. Revenues from royalties and other payments related to the production of oil and gas increased by \$7 million during the fiscal year. Investment earnings declined from \$278 million to \$200 million during the fiscal year, a decrease of \$78 million. Various amendments to the *Constitution of Alabama of*

1901 require that Alabama Trust income be used to support the General Fund, Forever Wild Land Trust, and a variety of state and local capital projects and debt service. In compliance with constitutional requirements, \$339 million was transferred out to support these other funds. During the fiscal year, the amount constitutionally restricted for Trust Capital decreased by \$62 million, a 2 percent decrease.

The Medicaid Fund accounts for a portion of the Medicaid program that is funded by Federal revenues and certain other non-state revenue sources. Federal revenues increased 1 percent, or \$27 million. Overall, revenues were down 2 percent, or \$85 million. Expenditures decreased less than 1 percent, or \$28 million. Nursing Home and Hospital Care programs were up \$32 million combined and Physician Care increased \$18 million while Administrative Cost decreased. The net change in fund balance for Medicaid was a \$43 million decrease, bringing the total fund balance to a deficit of \$80 million.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation (DOT). The Fund receives all state revenues for that department, including all federal aid reimbursements. Amendment No. 93 (as amended by Amendment No. 354) to the *Constitution of Alabama of 1901* provides that monies derived from any fee, excise or license taxes levied by the State on motor fuels shall be expended for the cost of construction, reconstruction, maintenance and repair of public highways and bridges; the cost of highway rights-of-way; the payment of highway obligations; the cost of traffic regulations; and the expense of enforcing state traffic and motor vehicle laws. Federal revenues increased \$95 million, or 12 percent. Expenditures increased \$127 million, or 10 percent. The cash balance declined from \$338 million to \$317 million. Of the \$368 million fund balance, \$26 million is in inventory of materials on hand and \$342 million is restricted to cover construction and maintenance contracts.

The Public Welfare Trust Fund is used to account for a broad range of social, protective, and financial assistance programs for citizens. This is the major operating fund of the Department of Human Resources. 88 percent of the revenue is from federal funds, but is supplemented by whiskey tax and a portion of the Alabama Alcoholic Beverage Control Board profits, sales tax, franchise tax, and beer tax. Overall spending declined \$52 million, or 3 percent. The decrease of \$39 million in County Administration expenditures accounted for 75 percent of the decline. Spending on various children's programs decreased \$17 million. The fund balance at year end is \$99 million, an increase of \$13 million. The small fund balance is normal for this fund, since the Federal Cash Management Improvement Act does not allow the State to draw money and hold it for more than a few days.

The Education Trust Fund and the Medicaid Fund had negative fund balances at September 30. This is not typical for the State's major governmental funds because the fiscally conservative nature of the State's controls generally results in positive fund balances. Constitutional Amendment 26 requires the State to have on hand at year end in each budgeted fund enough cash to cover all outstanding warrants and any remaining unspent obligations (encumbrances and accounts payable). The Education Trust Fund had negative fund balance at September 30 resulting from the interfund loan owed to the Alabama Trust Fund. Without the loan, the accrual of taxes receivable in the Education Trust Fund almost always assures a positive fund balance. Medicaid often has a negative fund balance because GAAP requires the accrual of claims payable and the related federal receivable, but not the State matching amounts which will be recorded as revenues when received in the next fiscal year. The Public Road and Bridge Fund retains enough cash to cover its outstanding construction contracts and commitments, so that fund historically has a large fund balance.

Proprietary Funds

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. During the fiscal year, total net position for all enterprise funds increased by \$163 million.

The Unemployment Compensation Trust Fund has again improved its financial condition. The net position increased in both 2013 and 2012, by \$132 million in the current year and by \$131 million in the prior year. This has resulted in a positive net position at the end of both fiscal years. Revenues during the current fiscal year decreased as compared to the prior fiscal year because of a decrease in the employer rates. The minimum rate decreased from 0.00125 to 0.00115 and the maximum rate decreased from 0.0074 to 0.0073 for the employer shared cost. Another factor in the lower revenues was a decrease in the number of employed workers. Benefits paid dropped \$240 million because the unemployment rate decreased and some claimants exhausted their benefits. Revenues from federal grants decreased \$200 million because there were fewer claims in the current fiscal year as compared to the prior fiscal year. The trust fund cash grew from \$109 million to \$250 million, and net position now stands at \$230 million.

The net position of the State Port Authority is \$318 million, an increase of \$14 million. Operating revenues were \$148 million, an increase of \$3 million, or 2 percent over the prior year, resulting from a number of factors. Revenues at McDuffie Coal Terminal increased \$4 million, or 5 percent, the result of a continued strong market for the export of metallurgical coal. General Cargo/Intermodal experienced a decrease in revenues of \$5 million, or 13 percent, the result of sluggish steel and iron product movements. The Bulk Handling and Warehouse division saw an increase in revenues of \$1 million, or 18 percent, as additional

volumes were managed. Expenses increased by \$4 million because of a \$1 million increase in personnel costs including benefits, a \$1 million increase in engineering and other professional services, and increases in expenses for legal issues, environmental costs associated with permit compliance and renewals, and rental of additional equipment to handle the increased volumes.

The Alabama Community College System's net position increased \$17 million in 2013, primarily because of tuition increases and a \$12 million decrease in student scholarships. Student scholarships decreased primarily because of the change in Pell Grant regulations which affected student eligibility. The College System has \$32 million more in capital assets at year-end resulting from building additions and construction in progress. The College System has an operating loss of \$586 million. However, federal grants of \$309 million and transfers from the Education Trust Fund (ETF) and other governmental funds of \$289 million result in an overall increase in net position. Transfers from other funds including the ETF legislature appropriated transfers were \$6 million less than the prior year.

The net position of the Alcoholic Beverage Control Board declined by \$3 million in fiscal year 2013, increasing the deficit in net position to \$28 million. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net position generally will remain negative. Non-current liabilities, such as compensated absences and other post-employment benefits, and some of the current liabilities are not deducted from the distribution amount. The deficit gets larger primarily because the liability for other post-employment benefits is growing. This liability increased by \$4 million during the fiscal year.

Budgetary Highlights

General Fund

The original budget for the General Fund was increased by a net of \$40 million during fiscal year 2013. Expenditures were increased by \$25 million and Transfers Out increased by \$15 million, and these budgetary changes are reflected in the final budget on the Budgetary Comparison Schedule. The General Fund was not prorated during fiscal year 2013. Budgeted revenues were increased by \$31 million; however, actual tax revenues were \$26 million less than the final budget because of the weak economy.

There were significant budgetary variances between the final budget and actual results. Unexpended and reverted appropriations from fiscal year 2013 were reappropriated to fiscal year 2014; therefore, many agencies did not spend all of their appropriations during fiscal year 2013. The Medicaid Agency has \$47 million to carryover to fiscal year 2014. The Department of Corrections, the Department of Finance, the Legislature, and the Secretary of State have carryovers of approximately \$7 million, \$3 million, \$2 million, and \$1 million, respectively. These appropriations will be needed in the future because revenues are not improving much because the economy is sluggish.

There were no supplemental appropriations. Conditional and other appropriations were approximately \$40 million to various agencies. The Emergency Management Agency received a conditional appropriation of \$20 million for matching federal funds for tornado damage. \$16 million of conditional appropriations were transferred to the Fair Trial Tax Fund for indigent defense. Conditional amounts are not included in the budget until the conditions have been met. Some expenditures are required by law to be fully funded, and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Emergency appropriations of \$9 million are included in the original budget and are included in the budgeted amounts as Other on the Budgetary Comparison Schedule. Emergency appropriations cannot exceed two percent of the total amount appropriated. On a budgetary basis, General Fund revenues and other sources exceeded expenditures and other uses by \$40 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$82 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

Capital Asset and Debt Administration**Capital Assets**

At the end of fiscal year 2013 the State had invested \$21.9 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled \$160 million.

Capital Assets as of September 30

(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Capital Assets Not Being Depreciated:						
Land	\$ 329,030	\$ 300,966	\$ 74,284	\$ 83,592	\$ 403,314	\$ 384,558
Historical Exhibits	4,037	4,006	2,350	2,350	6,387	6,356
Construction In Progress	237,474	298,067	89,941	89,867	327,415	387,934
Construction In Progress - Intangibles	-	-	-	-	-	-
Construction In Progress - Infrastructure	5,200,257	4,969,348	-	-	5,200,257	4,969,348
Infrastructure	13,433,729	13,292,571	-	-	13,433,729	13,292,571
Inexhaustible Intangible Assets	5,963	-	10	10	5,973	10
Total Capital Assets						
Not Being Depreciated	19,210,490	18,864,958	166,585	175,819	19,377,075	19,040,777
Capital Assets Being Depreciated:						
Buildings	1,673,487	1,588,038	1,695,876	1,627,052	3,369,363	3,215,090
Equipment	697,107	683,290	590,734	563,073	1,287,841	1,246,363
Software and Other Intangible Assets	49,747	41,024	15,779	12,855	65,526	53,879
Total Capital Assets						
Being Depreciated	2,420,341	2,312,352	2,302,389	2,202,980	4,722,730	4,515,332
Less Accumulated Depreciation	1,190,589	1,137,257	963,997	907,053	2,154,586	2,044,310
Total Capital Assets						
Being Depreciated, Net	1,229,752	1,175,095	1,338,392	1,295,927	2,568,144	2,471,022
Capital Assets, Net	\$ 20,440,242	\$ 20,040,053	\$ 1,504,977	\$ 1,471,746	\$ 21,945,219	\$ 21,511,799

As allowed by GASB Statement No. 34, the State has adopted the modified approach for reporting roadway and bridge infrastructure assets. Under the modified approach, depreciation is not recorded. Infrastructure costs that result in an increase in the capacity or an improvement in the efficiency of the infrastructure network are capitalized and added to the historical cost of the assets. Costs that allow the infrastructure network to be used efficiently over the expected useful life of the assets are expensed as general maintenance costs. Certain maintenance costs that extend the useful life of the assets but do not increase capacity or efficiency are classified as preservation costs. Preservation costs are expensed and reported in lieu of a charge for depreciation expense.

Extensive project documentation is required to meet various federal and state guidelines concerning the construction of infrastructure. The completeness of this documentation affects the timing of project capitalization. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is satisfactorily completed, filed, and accepted with the appropriate entities. Projects that meet the cost and documentation criteria are closed, and appropriate entries are made to adjust the Infrastructure Construction in Progress and Infrastructure asset accounts annually. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service on the State's roadway network and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred.

The State uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. A lower IRI measurement represents a smoother condition of pavement. The United States Department of Transportation developed suggested values for IRI of <60 inches/mile to >220 inches/mile to grade the smoothness condition of the roadway. A range of 60 to 94 is considered "Good" condition, with negligible maintenance required, and a range of 95-119 for Interstate Highways or 95-170 for non-interstate highways is considered "Fair", requiring routine maintenance such as pavement patching. The weighted average rating of Alabama's roads was 79.40, which exceeds the State's goal.

STATE OF ALABAMA

The State maintains 5,393 bridges and culverts. The State rates the major structural components and deck area of the bridge or culvert on a scale of one to ten and assigns a weighted rating to the bridge or culvert. The State expects those bridges and culverts to be maintained at a rating within the range of 5 - 6.99, which is considered "satisfactory," meaning the structural elements are sound but have minor deterioration. The actual weighted average rating for the most recent condition assessment was 6.58, in the upper end of the satisfactory range.

In fiscal years 2013 and 2012 the State estimated it would need to spend \$334.9 and \$319.6, respectively, to preserve and maintain all roadway assets and \$10.0 million in each year to preserve all bridge assets at or above the "Established Condition Levels" presented above. In fiscal year 2013, the State spent \$496,695,000 for roadway preservation and \$69,060,000 for bridge preservation. The State spent \$439,145,000 for roadway preservation and \$52,639,000 for bridge preservation in fiscal year 2012. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$333,068,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the "Established Condition Levels" presented above.

More detailed information about the State's capital assets is presented in Note 3 to the financial statements and in the Required Supplementary Information section.

Long-term Debt

The only method under which general obligation debt can be incurred by the State is by amendment to the *Constitution of Alabama of 1901*. The debt prohibition does not apply to debts incurred by separate public corporations functioning as State instrumentalities. The revenue bonds issued by these corporations are limited obligations of the corporation, not general obligations of the State, and the full faith and credit of the State is not pledged for their repayment. Certain revenues, usually earmarked taxes or revenues generated from the project financed, are pledged for the payment of the debt. Some of these corporations are blended with the primary government and some are reported discretely. The State and its component units issue serial and term bonds and capital appreciation bonds. Alabama has traditionally received high bond ratings from both Standard and Poor's Corporation and Moody's Investors Service. Currently, an exception is the upper medium bond ratings for the Tobacco Settlement Revenue Bonds issued by the Alabama Twenty-first Century Authority, a component unit of the State. Also, the State Port Authority has a lower rating than the other State bonds.

Outstanding Bonded Debt as of September 30

(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 699,733	\$ 708,349	\$ -	\$ -	\$ 699,733	\$ 708,349
Revenue Bonds	3,536,198	2,994,617	649,957	648,306	4,186,155	3,642,923
Total	<u>\$ 4,235,931</u>	<u>\$ 3,702,966</u>	<u>\$ 649,957</u>	<u>\$ 648,306</u>	<u>\$ 4,885,888</u>	<u>\$ 4,351,272</u>

The State issued \$33,000,000 of new general obligation bonds and \$131,160,000 of refunding general obligation bonds. Additionally, the State issued \$533,255,000 in new revenue bonds, which includes \$327,545,000 of Alabama Federal Aid Highway Finance Authority bonds and \$205,710,000 of Alabama Public School and College Authority bonds. More detailed information regarding the State's long-term debt is presented in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The General Fund budget for fiscal year 2014 is \$39 million greater than fiscal year 2013. The Department of Corrections received an appropriation increase of \$24 million for fiscal year 2014 over fiscal year 2013 from the General Fund. Also, the Department of Public Health and the Department of Senior Services received an increase of \$5 million each. The General Fund will receive an additional transfer of \$146 million from the Alabama Trust Fund because of Amendment 856 to the *Constitution of Alabama of 1901*.

In fiscal year 2014 the Education Trust Fund is budgeted to pay back \$295 million to the ETF Rainy Day Account within the Alabama Trust Fund. Most of this budgeted amount is the Rolling Reserve Act (Act 2011-3) cap on the fiscal year 2013 appropriations. The ETF Budget Stabilization Fund will not receive any of the revenues in excess of the cap until the ETF Rainy Day Account has been paid back in full. The Education Trust Fund budget for fiscal year 2014 is \$596 million greater than fiscal

year 2013. The K-12 Local Boards of Education received an appropriation increase of \$223 million for fiscal year 2014 over fiscal year 2013 from the Education Trust Fund. The four-year Universities received an increase of \$17 million.

Total tax collections are up approximately 1 percent for the first 5 months of fiscal year 2014 as compared to the first 5 months of fiscal year 2013. The State's seasonally adjusted unemployment rate, at 6.1 percent in January 2014, was unchanged from December 2013's rate, and below January 2013's rate of 6.7 percent. However, many unemployed workers have exhausted their unemployment benefits. The number of employed workers actually decreased from January 2013 to January 2014 from 1,984,000 to 1,976,000.

Requests for Information

This financial report is designed to provide a general overview of the State of Alabama's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Office of the State Comptroller, Financial Reporting Section, RSA Union, Suite 206, Montgomery, AL 36130-2602.



STATE OF ALABAMA

STATEMENT OF NET POSITION

September 30, 2013

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 3,099,860	\$ 684,495	\$ 3,784,355	\$ 1,258,266
Investments	3,272,084	163,156	3,435,240	6,708,318
Internal Balances	28,502	(28,502)	-	-
Due from Primary Government	-	-	-	6,511
Due from Component Units	20,984	-	20,984	2
Investment Sales Receivable	27,529	-	27,529	195
Accounts Receivable	129,545	100,383	229,928	638,630
Taxes Receivable	813,333	-	813,333	-
Due from Other Governments	1,113,254	997	1,114,251	632,363
Mortgages, Notes, and Loans Receivable	56	-	56	630,837
Securities Lending Collateral	198,867	447	199,314	9,733
Inventory	42,352	42,095	84,447	39,389
Restricted Assets	6,127	-	6,127	91,221
Other Assets	26,015	30,743	56,758	229,132
Capital Assets, Net of Accumulated Depreciation	1,229,753	1,338,393	2,568,146	5,916,253
Capital Assets Not Depreciated	19,210,489	166,584	19,377,073	900,493
TOTAL ASSETS	29,218,750	2,498,791	31,717,541	17,061,343
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	-	-	-	51,465
LIABILITIES				
Warrants Payable	16,573	3,680	20,253	205
Investment Purchases Payable	58,345	-	58,345	-
Due to Primary Government	-	-	-	20,984
Due to Component Units	6,387	124	6,511	2
Accounts Payable	894,495	96,276	990,771	534,813
Interest Payable	44,961	9,617	54,578	34,974
Tax Refunds Payable	145,025	-	145,025	-
Due to Other Governments	203,677	2,082	205,759	91,424
Securities Lending Obligation	198,867	447	199,314	9,733
Unearned Revenue	6,470	75,093	81,563	772,396
Amounts Held in Custody for Others	101,625	7,406	109,031	394,306
Noncurrent Liabilities:				
Due Within One Year	264,752	43,139	307,891	418,441
Due In More Than One Year	5,309,491	695,848	6,005,339	4,447,914
TOTAL LIABILITIES	7,250,668	933,712	8,184,380	6,725,192
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	-	-	-	621
NET POSITION				
Invested in Capital Assets, Net of Related Debt	20,030,459	861,684	20,892,143	3,355,047
Restricted for:				
Permanent - Expendable	-	4,814	4,814	856,942
Permanent - Non-expendable	75,003	6,574	81,577	1,374,984
Unemployment Compensation	-	230,466	230,466	-
Alabama Trust Capital	2,897,541	-	2,897,541	-
Economic Development and Regulation	341,121	-	341,121	-
Education	1,074,938	381,310	1,456,248	3,303
Natural Resources and Recreation	102,246	-	102,246	-
Health	260,535	4,973	265,508	-
Social Services	277,279	-	277,279	-
Protection of Persons and Property	219,203	-	219,203	-
Transportation	376,118	-	376,118	-
General Government	640,758	-	640,758	-
Debt Service	120,716	66,024	186,740	761,446
Capital Projects	452,377	14,456	466,833	9,416
Other Purposes	-	-	-	165,093
Unrestricted	(4,900,212)	(5,222)	(4,905,434)	3,860,764
TOTAL NET POSITION	\$ 21,968,082	\$ 1,565,079	\$ 23,533,161	\$ 10,386,995

The Notes to the Financial Statements are an integral part of this statement.



STATE OF ALABAMA

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Economic Development and Regulation	\$ 121,943	\$ 174,341	\$ 25,324	\$ 4,954
Education and Cultural Resources	6,336,474	60,134	944,176	5,858
Natural Resources and Recreation	124,496	74,903	39,538	569
Health	6,423,848	313,897	4,716,601	170
Social Services	2,448,767	49,591	1,991,967	6,125
Protection of Persons and Property	1,081,878	225,468	151,290	11,624
Transportation	1,322,599	172,753	36,461	941,142
General Government	1,041,662	216,921	192,043	5,775
Debt Service - Interest and Other Charges	179,069	-	-	-
Total Governmental Activities	19,080,736	1,288,008	8,097,400	976,217
Business-type Activities				
Unemployment Compensation	458,063	434,928	163,084	-
State Port Authority	137,109	149,275	126	1,644
Alabama Community College System	772,002	179,886	308,891	4,754
Alcoholic Beverage Control Board	282,840	280,295	317	-
Nonmajor Proprietary Funds	60,429	61,038	802	-
Total Business-type Activities	1,710,443	1,105,422	473,220	6,398
Total Primary Government	20,791,179	2,393,430	8,570,620	982,615
Component Units:				
University of Alabama	3,883,537	2,791,694	695,294	30,506
Auburn University	942,256	516,377	195,760	28,201
University of South Alabama	643,235	465,157	30,159	12,107
Housing Finance Authority	57,301	12,259	24,850	-
State Employees' Health Insurance Board	442,127	408,847	8	-
Public Education Employees' Health Insurance	776,253	741,911	8	-
Nonmajor Component Units	1,106,936	549,949	268,940	6,544
Total Component Units	7,851,645	5,486,194	1,215,019	77,358
General Revenues:				
Taxes:				
Sales and Use Taxes				
Income Taxes				
Motor Fuels Taxes				
Utility Taxes				
Insurance Premium Tax				
Property Tax				
Liquor Taxes				
Tobacco and Cigarette Taxes				
Payments from State of Alabama				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Contributions to Permanent Funds and Endowments				
Transfers				
Total General Revenues, Contributions,				
Special and Extraordinary Items, and Transfers				
Change in Net Position				
Net Position, October 1, 2012, as Restated				
Net Position, September 30, 2013				

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total Primary Government	Component Units
\$ 82,676	\$ 0	\$ 82,676	\$ 0
(5,326,306)	-	(5,326,306)	-
(9,486)	-	(9,486)	-
(1,393,180)	-	(1,393,180)	-
(401,084)	-	(401,084)	-
(693,496)	-	(693,496)	-
(172,243)	-	(172,243)	-
(626,923)	-	(626,923)	-
(179,069)	-	(179,069)	-
(8,719,111)	0	(8,719,111)	0
-	139,949	139,949	-
-	13,936	13,936	-
-	(278,471)	(278,471)	-
-	(2,228)	(2,228)	-
-	1,411	1,411	-
0	(125,403)	(125,403)	0
(8,719,111)	(125,403)	(8,844,514)	0
-	-	-	(366,043)
-	-	-	(201,918)
-	-	-	(135,812)
-	-	-	(20,192)
-	-	-	(33,272)
-	-	-	(34,334)
-	-	-	(281,503)
0	0	0	(1,073,074)
2,343,322	-	2,343,322	-
3,505,081	-	3,505,081	-
541,603	-	541,603	-
621,684	-	621,684	-
297,072	-	297,072	-
326,255	-	326,255	-
163,026	11,864	174,890	-
128,714	-	128,714	-
-	-	-	1,074,839
10,421	-	10,421	564
213,955	-	213,955	344,003
1,097,897	17,625	1,115,522	58,869
-	82	82	31,858
(259,085)	259,085	-	-
8,989,945	288,656	9,278,601	1,510,133
270,834	163,253	434,087	437,059
21,697,248	1,401,826	23,099,074	9,949,936
\$ 21,968,082	\$ 1,565,079	\$ 23,533,161	\$ 10,386,995

STATE OF ALABAMA

BALANCE SHEET
Governmental Funds

September 30, 2013

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
ASSETS					
Cash and Cash Equivalents	\$ 191,954	\$ 344,577	\$ 19,970	\$ 15,465	\$ 316,891
Investments	-	-	2,325,381	-	61,056
Due from Other Funds	16,656	809	584,544	23,825	4,523
Due from Component Units	1	-	-	-	-
Investment Sales Receivable	-	-	26,604	-	-
Accounts Receivable	2,669	1	18,561	1,390	3,944
Taxes Receivable	227,029	190,456	-	-	25,343
Due from Other Governments	1	140	-	226,911	133,200
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	2,510	4,554	164,642	204	4,152
Inventory	2,971	-	-	-	26,035
Restricted Assets	-	-	-	-	-
Other Assets	-	-	-	-	-
TOTAL ASSETS	\$ 443,791	\$ 540,537	\$ 3,139,702	\$ 267,795	\$ 575,144
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 1,225	\$ 2,769	\$ 0	\$ 471	\$ 2,321
Investment Purchases Payable	-	-	49,232	-	-
Due to Other Funds	169,107	430,676	-	68,123	3,060
Due to Component Units	56	21	-	-	19
Accounts Payable	62,012	43,977	212	278,526	173,764
Tax Refunds Payable	-	145,025	-	-	-
Due to Other Governments	5,266	6,968	-	749	13,345
Securities Lending Obligation	2,510	4,554	164,642	204	4,152
Deferred Revenue	107,819	-	1,851	-	-
Amounts Held in Custody for Others	324	3	-	-	10,151
Compensated Absences	938	224	-	46	241
Total Liabilities	349,257	634,217	215,937	348,119	207,053
Fund Balances					
Nonspendable:					
Inventory	2,971	-	-	-	26,035
Permanent Fund Principal	-	-	-	-	-
Restricted for:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	-	-	-	-
Natural Resources and Recreation	-	-	28,075	-	-
Health	-	-	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	-	-	-	-	-
Transportation	-	-	-	-	342,056
General Government	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	-	-
Alabama Trust Capital	-	-	2,895,690	-	-
Assigned for:					
Economic Development and Regulation	6	-	-	-	-
Education and Cultural Resources	37	-	-	-	-
Health	567	-	-	-	-
Social Services	8	-	-	-	-
Protection of Persons and Property	2,924	-	-	-	-
General Government	99	-	-	-	-
Unassigned	87,922	(93,680)	-	(80,324)	-
Total Fund Balances	94,534	(93,680)	2,923,765	(80,324)	368,091
TOTAL LIABILITIES AND FUND BALANCES	\$ 443,791	\$ 540,537	\$ 3,139,702	\$ 267,795	\$ 575,144

The Notes to the Financial Statements are an integral part of this statement.

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 129,225	\$ 1,998,311	\$ 3,016,393
-	759,016	3,145,453
16,228	117,340	763,925
-	20,388	20,389
-	925	27,529
33	100,836	127,434
50,346	320,159	813,333
1,924	142,700	504,876
-	56	56
1,443	20,599	198,104
-	1,813	30,819
-	6,127	6,127
-	170	170
\$ 199,199	\$ 3,488,440	\$ 8,654,608

\$ 326	\$ 7,194	\$ 14,306
-	9,113	58,345
8,469	81,089	760,524
-	458	554
49,315	255,763	863,569
-	-	145,025
1,218	176,091	203,637
1,443	20,599	198,104
35,463	211,390	356,523
3,745	87,402	101,625
357	1,488	3,294
100,336	850,587	2,705,506

-	1,813	30,819
-	75,003	75,003
-	341,092	341,092
-	360,451	360,451
-	74,172	102,247
-	167,722	167,722
98,863	142,955	241,818
-	219,202	219,202
-	34,083	376,139
-	636,067	636,067
-	449,808	449,808
-	121,036	121,036
-	-	2,895,690
-	2,475	2,481
-	684	721
-	-	567
-	162	170
-	25,863	28,787
-	18,617	18,716
-	(33,352)	(119,434)
98,863	2,637,853	5,949,102
\$ 199,199	\$ 3,488,440	\$ 8,654,608

STATE OF ALABAMA**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

September 30, 2013

(Amounts in Thousands)

Total Fund Balances for Governmental Funds \$5,949,102Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds.

Land	328,273
Historical Exhibits	4,036
Construction in progress	208,398
Construction in progress - Infrastructure	5,200,257
Infrastructure	13,433,729
Buildings	1,523,387
Equipment	655,060
Intangibles	44,829
Intangible Assets Under Development	5,963
Accumulated Depreciation - Buildings	(615,707)
Accumulated Depreciation - Equipment	(406,924)
Amortization - Intangibles	(10,009)

20,371,292

Some of the State's revenues will be collected after year-end, but
are not available soon enough to pay for the current period's
expenditures, and therefore are deferred in the funds.

350,053

Internal service funds are used by management to charge the costs
of certain activities, such as insurance and information technology,
to individual funds. The assets and liabilities of the internal
service funds are included in governmental activities in the
Statement of Net Position.

162,085

Long-term due from other governments are not collectible
in the current period; therefore, are not reported in the funds.

608,379

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the funds.

Capital Leases, Notes, and Mortgages	(169,085)
Compensated Absences	(272,354)
Claims and Judgments	(11,595)
Due to Component Units	(5,533)
Other Post-Employment Benefits	(795,805)

(1,254,372)

Long-term bonded debt is not due and payable in the current period and,
therefore, is not reported in the funds. Unamortized discounts, unamortized
premiums, unamortized loss, deferred debt financing costs, and interest payable
are not reported in the funds. However, these amounts are included in the
Statement of Net Position. This is the total effect of these balances on the statement.

General Obligation Bonds Payable	(660,195)
Revenue Bonds Payable	(3,308,117)
Unamortized Premiums	(268,127)
Unamortized Discounts	337
Unamortized Loss	49,209
Deferred Debt Financing Costs	13,396
Accrued Interest Payable	(44,960)

(4,218,457)

Net Position of Governmental Activities\$21,968,082*The Notes to the Financial Statements are an integral part of this statement.*



STATE OF ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Governmental Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
REVENUES					
Taxes	\$ 1,210,064	\$ 5,634,026	\$ 0	\$ 0	\$ 346,624
Licenses, Permits, and Fees	153,155	112	-	-	137,231
Fines, Forfeits, and Court Settlements	19,152	256	-	3,502	-
Investment Income	15,575	-	200,412	44	(555)
Federal Grants and Reimbursements	2,134	353	-	3,787,678	923,605
Other Revenues	5,901	208	83,200	551,646	61,465
Total Revenues	1,405,981	5,634,955	283,612	4,342,870	1,468,370
EXPENDITURES					
Current:					
Economic Development and Regulation	4,650	705	-	-	-
Education and Cultural Resources	6,301	4,922,825	-	-	-
Natural Resources and Recreation	3,723	788	670	-	-
Health	601,337	13,018	-	3,904,929	-
Social Services	10,755	26,942	-	-	-
Protection of Persons and Property	528,985	43,742	-	-	-
Transportation	-	-	-	-	1,454,484
General Government	197,371	10,091	6,151	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	-	7	-	-	2,089
Debt Service - Interest and Other Charges	-	13	-	-	146
Debt Service - Current Refunding to Bondholders	-	-	-	-	-
Total Expenditures	1,353,122	5,018,131	6,821	3,904,929	1,456,719
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,859	616,824	276,791	437,941	11,651
OTHER FINANCING SOURCES (USES)					
Transfers In	363,267	-	2,359	278,112	38,703
Bonds Issued	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Capital Leases	-	190	-	-	348
Debt Issuance Premiums	-	-	-	-	-
Insurance Recovery Proceeds	22	-	-	-	1,704
Transfers Out	(333,874)	(418,863)	(339,076)	(758,991)	(105,364)
Payments to Refunded Bond Escrow Agent	-	-	-	-	-
Total Other Financing Sources (Uses)	29,415	(418,673)	(336,717)	(480,879)	(64,609)
Net Change in Fund Balances	82,274	198,151	(59,926)	(42,938)	(52,958)
Fund Balances, October 1, 2012, as Restated	13,291	(291,831)	2,983,691	(37,386)	419,273
Increase (Decrease) in Inventory	(1,031)	-	-	-	1,776
Fund Balances, September 30, 2013	\$ 94,534	\$ (93,680)	\$ 2,923,765	\$ (80,324)	\$ 368,091

The Notes to the Financial Statements are an integral part of this statement.

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 186,898	\$ 1,556,065	\$ 8,933,677
244	393,791	684,533
9	180,067	202,986
-	22,448	237,924
1,714,813	2,090,075	8,518,658
40,795	320,868	1,064,083
1,942,759	4,563,314	19,641,861
-	110,931	116,286
-	1,437,142	6,366,268
-	148,679	153,860
-	1,831,828	6,351,112
1,987,958	397,744	2,423,399
-	454,811	1,027,538
-	231,280	1,685,764
547	768,219	982,379
-	55,876	55,876
3,026	239,614	244,736
2,985	186,816	189,960
-	82,802	82,802
1,994,516	5,945,742	19,679,980
(51,757)	(1,382,428)	(38,119)
145,035	1,905,662	2,733,138
-	690,870	690,870
-	131,160	131,160
-	-	538
-	115,957	115,957
3	8,105	9,834
(80,725)	(967,335)	(3,004,228)
-	(66,681)	(66,681)
64,313	1,817,738	610,588
12,556	435,310	572,469
86,307	2,203,587	5,376,932
-	(1,044)	(299)
\$ 98,863	\$ 2,637,853	\$ 5,949,102

STATE OF ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds		\$572,469
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay	496,801	
Depreciation Expense	<u>(84,461)</u>	
		412,340
In the Statement of Activities, only the gain (loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		
		(18,234)
In the Statement of Activities, the change in the balance of inventories is expensed, whereas in the governmental funds, the change in the balance of inventories is adjusted to nonspendable fund balance.		
		(299)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		3,536
Long-term loans to other governments are expenditures in the governmental funds, and the repayment is revenue in the governmental funds.		
Long-term loans to other governments	34,848	
Repayments of loans	<u>(47,892)</u>	
		(13,044)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and information technology, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		
		(27,695)
Capital asset reassignments for the general government have not been reported in governmental fund financial statements.		
Capital asset reassigned to the general government	5,484	
Capital asset reassigned from the general government	<u>(4)</u>	
		5,480
Long-term debt proceeds provide current financial resources to governmental funds, which increases long-term liabilities in the Statement of Net Position. Long-term debt principal repayment is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Bond proceeds	(690,870)	
Refunding bond proceeds	(131,160)	
Capital lease proceeds	(538)	
Debt issuance premiums	(115,957)	
Payments to Refunded Bond Escrow Agent	66,681	
Current Refunding to Bondholders	82,802	
Repayment of bond principal	237,455	
Repayment of capital lease principal	7,281	
Accrued interest and debt-related amortization	<u>12,875</u>	
		(531,431)
Increases in long-term liabilities for certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Other post-employment benefits	(144,769)	
Compensated absences	10,997	
Claims and judgments	<u>1,484</u>	
		(132,288)
Change in Net Position of Governmental Activities		\$270,834

The Notes to the Financial Statements are an integral part of this statement.



STATE OF ALABAMA

STATEMENT OF NET POSITION
Proprietary Funds

September 30, 2013

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama Community College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 249,972	\$ 46,452	\$ 341,993	\$ 29,704	\$ 16,374
Investments, Short-term	-	18,387	95,352	-	5,434
Due from Other Funds	1	155	-	70	-
Due from Component Units	-	-	-	-	-
Accounts Receivable	6,219	15,684	77,397	486	597
Due from Other Governments	4	993	-	-	-
Securities Lending Collateral	51	-	-	391	5
Inventory	-	3,211	7,718	29,936	1,230
Other Current Assets	-	10,037	-	-	300
Total Current Assets	256,247	94,919	522,460	60,587	23,940
Noncurrent Assets					
Investments, Long-term	-	31,186	12,797	-	-
Due From Other Funds	-	-	-	-	-
Due From Component Units	-	-	-	-	-
Other Noncurrent Assets	-	8,304	12,010	90	2
Capital Assets, Net of Accumulated Depreciation	-	523,335	803,406	3,766	7,886
Capital Assets Not Depreciated	-	78,917	85,037	-	2,630
Total Noncurrent Assets	0	641,742	913,250	3,856	10,518
TOTAL ASSETS	256,247	736,661	1,435,710	64,443	34,458
LIABILITIES					
Current Liabilities					
Warrants Payable	-	-	-	3,680	-
Due to Other Funds	6,511	-	-	21,365	852
Due to Component Units	-	-	-	-	124
Accounts Payable	19,122	9,295	29,806	37,461	592
Interest Payable	-	9,617	-	-	-
Due to Other Governments	19	-	-	2,063	-
Claims Payable	-	454	-	-	2,914
Unearned Revenue	-	-	70,051	-	364
Funds Held in Escrow	78	-	7,328	-	-
Compensated Absences	-	1,821	2,804	39	300
Securities Lending Obligation	51	-	-	391	5
Notes and Capital Leases Payable	-	-	526	-	-
Revenue Bonds Payable	-	8,770	25,511	-	-
Total Current Liabilities	25,781	29,957	136,026	64,999	5,151
Noncurrent Liabilities					
Claims Payable	-	2,800	-	-	-
Unearned Revenue, Noncurrent	-	496	4,182	-	-
Due To Other Funds	-	-	-	-	-
Compensated Absences	-	2,732	15,673	6,732	26
Other Post-employment Benefits	-	13,247	-	20,750	191
Notes and Capital Leases Payable	-	-	3,326	-	1,590
Revenue Bonds Payable	-	356,786	258,890	-	-
Other Long-term Liabilities	-	12,884	221	-	-
Total Noncurrent Liabilities	0	388,945	282,292	27,482	1,807
TOTAL LIABILITIES	25,781	418,902	418,318	92,481	6,958
NET POSITION					
Invested in Capital Assets, Net of Related Debt	-	237,388	611,604	3,766	8,926
Restricted for:					
Permanent - Expendable	-	-	4,814	-	-
Permanent - Non-expendable	-	-	6,574	-	-
Unemployment Compensation	230,466	-	-	-	-
Education	-	-	371,083	-	10,227
Health	-	-	-	-	4,973
Debt Service	-	57,163	8,861	-	-
Capital Projects	-	-	14,456	-	-
Unrestricted	-	23,208	-	(31,804)	3,374
TOTAL NET POSITION	\$ 230,466	\$ 317,759	\$ 1,017,392	\$ (28,038)	\$ 27,500

The Notes to the Financial Statements are an integral part of this statement.

		<u>Governmental Activities</u>	
Total		Internal	
Enterprise		Service	
Funds		Funds	
\$	684,495	\$	83,467
	119,173		7,207
	226		15,446
	-		219
	100,383		2,104
	997		-
	447		763
	42,095		11,533
	10,337		11,959
	958,153		132,698
	43,983		119,424
	-		28,125
	-		376
	20,406		491
	1,338,393		39,119
	166,584		29,832
	1,569,366		217,367
	2,527,519		350,065
	3,680		2,267
	28,728		613
	124		300
	96,276		30,883
	9,617		-
	2,082		40
	3,368		22,646
	70,415		-
	7,406		-
	4,964		60
	447		763
	526		1,792
	34,281		2,575
	261,914		61,939
	2,800		42,553
	4,678		-
	-		17,899
	25,163		4,490
	34,188		10,438
	4,916		2,783
	615,676		46,462
	13,105		1,416
	700,526		126,041
	962,440		187,980
	861,684		17,910
	4,814		-
	6,574		-
	230,466		-
	381,310		-
	4,973		-
	66,024		-
	14,456		2,570
	(5,222)		141,605
\$	1,565,079	\$	162,085

STATE OF ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama Community College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
OPERATING REVENUES					
Charges for Goods and Services	\$ 0	\$ 147,508	\$ 178,173	\$ 280,024	\$ 46,334
Premiums and Contributions	421,594	-	-	-	13,997
Rents and Leases	-	-	-	-	589
Total Operating Revenues	421,594	147,508	178,173	280,024	60,920
OPERATING EXPENSES					
Salaries, Wages, and Benefits	-	-	440,381	49,343	510
Utilities and Communications	-	-	25,144	3,024	531
Professional Services	-	-	-	5,256	24
Supplies, Materials, and Operating Expenses	-	-	147,175	202,225	38,495
Interest	-	-	11,351	-	-
Depreciation	-	27,289	40,302	1,063	722
Claims and Benefits	455,990	-	-	-	19,955
Operations and Maintenance	-	75,367	-	-	-
General and Administrative	-	16,980	-	-	-
Other	-	-	99,569	19,699	8
Total Operating Expenses	455,990	119,636	763,922	280,610	60,245
Operating Income (Loss)	(34,396)	27,872	(585,749)	(586)	675
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	-	11,864	10,549
Grants	163,084	126	308,891	317	802
Investment Income	4,033	1,767	1,713	-	91
Other Nonoperating Revenues	9,301	-	6,767	473	134
Interest Expense	-	(17,350)	-	-	(73)
Other Nonoperating Expenses	(2,073)	(123)	(8,080)	(2,230)	(111)
Total Nonoperating Revenues (Expenses)	174,345	(15,580)	309,291	10,424	11,392
Income (Loss) Before Contributions and Transfers	139,949	12,292	(276,458)	9,838	12,067
Capital Contributions	-	1,644	4,754	-	-
Contributions to Endowments	-	-	82	-	-
Transfers In	1,841	155	288,883	457	2,900
Transfers Out	(9,620)	(51)	-	(13,343)	(12,137)
Increase (Decrease) in Net Position	132,170	14,040	17,261	(3,048)	2,830
Total Net Position, October 1, 2012, as Restated	98,296	303,719	1,000,131	(24,990)	24,670
Total Net Position, September 30, 2013	\$ 230,466	\$ 317,759	\$ 1,017,392	\$ (28,038)	\$ 27,500

The Notes to the Financial Statements are an integral part of this statement.

		<u>Governmental Activities</u>	
Total		Internal	
Enterprise		Service	
Funds		Funds	
\$	652,039	\$	70,638
	435,591		52,108
	589		18,396
	1,088,219		141,142
	490,234		32,396
	28,699		20,053
	5,280		12,572
	387,895		49,276
	11,351		217
	69,376		6,591
	475,945		53,135
	75,367		-
	16,980		-
	119,276		6,127
	1,680,403		180,367
	(592,184)		(39,225)
	22,413		-
	473,220		125
	7,604		6,369
	16,675		385
	(17,423)		(2,216)
	(12,617)		(5,873)
	489,872		(1,210)
	(102,312)		(40,435)
	6,398		4
	82		-
	294,236		15,011
	(35,151)		(2,275)
	163,253		(27,695)
	1,401,826		189,780
\$	1,565,079	\$	162,085

STATE OF ALABAMA

STATEMENT OF CASH FLOWS Proprietary Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment	State	Alabama	Alcoholic	Nonmajor
	Compensation	Port	Community	Beverage	Enterprise
	Trust	Authority	College System	Control Board	Funds
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 426,345	\$ 148,142	\$ 170,709	\$ 281,066	\$ 60,243
Receipts from Interfund Services	-	-	-	26	10
Receipts from Operating Grants	162,922	-	101,571	-	-
Receipts from Interfund Reimbursements	4,903	-	-	-	-
Receipts from Other Operating Activities	9,301	-	8,372	12,206	10,651
Payments for Goods Held for Resale	-	-	-	(199,758)	(31,470)
Payments for Other Goods & Services	-	(52,899)	(262,270)	(22,630)	(2,470)
Payments for Employees Services	-	(35,153)	(440,380)	(45,067)	(4,224)
Payments for Taxes, Fines, Penalties, & Similar Fees	(358)	-	-	-	-
Payments for Interfund Services	-	-	-	(1,895)	(9)
Payments for Other Operating Activities	-	-	(83)	(8,603)	(72)
Payments for Claims	(455,153)	-	-	-	(20,192)
Net Cash Provided by (Used In) Operating Activities	147,960	60,090	(422,081)	15,345	12,467
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	1,841	-	272,919	-	132
Transfers from Other Funds for Noncapital Financing	5	-	288,883	668	2,900
Payments for Noncapital Financing Grants & Donations	(2,475)	-	(56,517)	-	-
Transfers to Other Funds for Noncapital Financing	(9,110)	-	-	(21,400)	(12,059)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	(9,739)	0	505,285	(20,732)	(9,027)
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	33,835	-	-
Receipts from Capital Grants & Contributions	-	1,391	2,931	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	356	146	231	-
Payments to Acquire, Construct, & Improve Capital Assets	-	(19,803)	(73,229)	(4,853)	(89)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(8,290)	(26,109)	-	(89)
Interest Paid on Revenue Bonds & Other Capital Debt	-	(19,924)	(11,220)	-	(73)
Bond Issuance Cost	-	-	(69)	-	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	0	(46,270)	(73,715)	(4,622)	(251)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	22,009	-	-
Receipts from Interest & Dividends on Investments & Loans	3,232	969	1,148	-	91
Purchase of Investments	-	(632)	(15,679)	-	-
Net Cash Provided By (Used In) Investing Activities	3,232	337	7,478	0	91
Net Increase (Decrease) In Cash and Cash Equivalents	141,453	14,157	16,967	(10,009)	3,280
Cash Balance as Restated, October 1, 2012	108,519	32,295	325,026	36,033	13,094
Cash Balance, September 30, 2013	249,972	46,452	341,993	26,024	16,374
Add: Warrants Payable	-	-	-	3,680	-
Cash and Cash Equivalents,					
as Reported on Balance Sheet	\$ 249,972	\$ 46,452	\$ 341,993	\$ 29,704	\$ 16,374

The Notes to the Financial Statements are an integral part of this statement.

		<u>Governmental Activities</u>	
Total		Internal	
Enterprise		Service	
Funds		Funds	
\$	1,086,505	\$	38,304
	36		123,329
	264,493		-
	4,903		-
	40,530		277
	(231,228)		(16,551)
	(340,269)		(84,865)
	(524,824)		(30,682)
	(358)		-
	(1,904)		(5,309)
	(8,758)		(1,331)
	(475,345)		(50,845)
	(186,219)		(27,673)
	274,892		-
	292,456		13,790
	(58,992)		-
	(42,569)		(2,951)
	465,787		10,839
	33,835		-
	4,322		-
	733		141
	(97,974)		(9,680)
	(34,488)		(9,811)
	(31,217)		(2,565)
	(69)		-
	(124,858)		(21,915)
	22,009		487,012
	5,440		3,309
	(16,311)		(449,273)
	11,138		41,048
	165,848		2,299
	514,967		78,901
	680,815		81,200
	3,680		2,267
\$	684,495	\$	83,467

Continued on next page...

STATE OF ALABAMA

STATEMENT OF CASH FLOWS (Continued from Previous Page) Proprietary Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama Community College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (34,396)	\$ 27,872	\$ (585,749)	\$ (586)	\$ 675
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	39	-	-	-	10
Accounts Receivable	439	2,714	(3,305)	68	(463)
Due From Other Governments	21	-	-	-	-
Inventory	-	1,169	244	(3,193)	(56)
Other Assets	-	(3,085)	595	-	1
Salaries Payable	-	215	-	-	(3)
Due to Other Funds	7	-	-	610	-
Due to Component Units	-	-	-	-	25
Accounts Payable	9,812	131	(9,427)	2,021	442
Due to Other Governments	(177)	-	-	(1,082)	-
Claims Payable	-	554	-	-	(183)
Unearned Revenue	-	(2,079)	(5,053)	-	(52)
Funds Held in Escrow	-	-	(335)	-	-
Compensated Absences	-	165	-	(83)	3
Other Post-employment Benefits	-	2,244	-	4,092	36
Other Liabilities	-	124	-	-	(7)
Operating Interest Expense	-	-	-	-	-
Depreciation	-	27,289	40,302	1,063	722
Amortization Expense	-	2,702	-	-	-
Nonoperating Revenues	172,215	126	141,156	12,435	11,389
Nonoperating Expenses	-	(51)	(509)	-	(72)
Total Adjustments	182,356	32,218	163,668	15,931	11,792
Net Cash Provided (Used) by Operating Activities	\$ 147,960	\$ 60,090	\$ (422,081)	\$ 15,345	\$ 12,467
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Capital Assets Acquired by Capital Contribution	-	-	-	4	1
Capital Asset Reassignments	-	-	-	-	-
Disposals of Capital Assets	-	(21,949)	(5,241)	(3,650)	(13)
Capital Assets Acquired on Account	-	2,819	-	577	1
Revenue Bond Amortizations and Other Debt Adjustments	-	43	-	-	-
Interest Accruals and Other Adjustments	801	-	-	-	-
Unrealized Gains (Losses) in Investment Fair Value	-	3,912	138	-	-
Transfers In (Out)	(5)	-	-	7,928	-

The Notes to the Financial Statements are an integral part of this statement.

	<u>Governmental Activities</u>
Total	Internal
Enterprise	Service
Funds	Funds

\$	(592,184)	\$	(39,225)
----	-----------	----	----------

49	(15,252)
(547)	370
21	-
(1,836)	(1,358)
(2,489)	1,262
212	-
617	16,010
25	-
2,979	(5,150)
(1,259)	-
371	7,524
(7,184)	4
(335)	-
85	(307)
6,372	1,970
117	(124)
-	217
69,376	6,591
2,702	-
337,321	160
(632)	(365)
405,965	11,552

<u>\$</u>	<u>(186,219)</u>	<u>\$</u>	<u>(27,673)</u>
-----------	------------------	-----------	-----------------

5	5,664
-	(5,545)
(30,853)	(3,756)
3,397	1,160
43	217
801	770
4,050	2,423
7,923	1,896

STATE OF ALABAMA

STATEMENT OF FIDUCIARY NET POSITION Fiduciary Funds

September 30, 2013

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 75,778	\$ 55,610	\$ 192,583
Investments			
Time Deposits	-	-	1,045
U.S. Treasury Securities	1,411,026	34,850	34,577
U.S. Agency Securities	473,883	28,828	-
State and Local Government Securities	-	1,202	10,715
Mortgage Backed Securities	809,737	41,017	2,535
Corporate Stocks	16,646,294	5,151	-
Corporate Bonds	5,967,744	77,552	1,450
Real Estate	2,921,403	840	-
Commercial Paper	759,617	-	-
International Stocks	4,454,508	-	-
Guaranteed Investment Contracts	245,348	-	-
Mutual and Money Market Funds	595,093	1,080,666	4,463
Receivables			
Due from Other Funds	-	-	49
Employer Contributions Receivable	81,216	-	-
Member Contributions Receivable	58,441	-	-
Federal On-Behalf Contributions Receivable	9,369	-	-
Investment Sales Receivable	22,230	-	-
Accounts Receivable	138,733	3,857	29
Due from Other Governments	-	-	3,206
Mortgages, Notes, and Loans Receivable	6,220	-	-
Securities Lending Collateral	1,964,327	1,583	649
Other Assets	684	-	-
Capital Assets, Net of Accumulated Depreciation	136,215	4	-
Capital Assets Not Depreciated	7,620	-	-
TOTAL ASSETS	36,785,486	1,331,160	251,301
LIABILITIES			
Warrants Payable	\$ 42,129	\$ 304	\$ 17,578
Investment Purchases Payable	57,895	-	-
Due to Other Funds	3	4	-
Accounts Payable	4,597	36,804	385
Due to Other Governments	255	-	7,620
Claims Payable	41,301	-	-
Securities Lending Obligation	1,964,327	1,583	649
Deferred Revenue	2,499	-	-
Amounts Held in Custody for Others	-	1,651	225,069
Compensated Absences	4,467	37	-
Other Post-employment Benefits	6,468	101	-
Notes and Mortgages Payable	1,000	-	-
TOTAL LIABILITIES	2,124,941	40,484	251,301
NET POSITION			
Restricted for Beneficiaries	-	1,290,676	-
Restricted for Pension and Other Employee Benefits	34,660,545	-	-
TOTAL NET POSITION	\$ 34,660,545	\$ 1,290,676	\$ 0

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ALABAMA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiduciary Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds
ADDITIONS		
Contributions:		
Plan members	\$ 1,037,391	\$ 154,226
Employer	1,405,961	-
Federal On-Behalf	43,411	-
Total Contributions	2,486,763	154,226
Investment Earnings		
Investment Interest and Dividends	1,052,565	38,715
Net Increase (Decrease) in Fair Value of Investments	3,230,552	72,209
Securities Lending Income	21,706	7
Total Investment Earnings	4,304,823	110,931
Less:		
Investment Expense	10,821	-
Securities Lending Interest and Fees	6,380	2
Net Investment Income	4,287,622	110,929
Other Additions		
Interest from Mortgages and Loans Receivable	286	-
Miscellaneous	5,771	410
Total Other Additions	6,057	410
Total Additions	6,780,442	265,565
DEDUCTIONS		
Benefit Payments and Refunds	3,682,858	174,082
Administrative Expense	34,095	8,028
Transfers Out	-	731
Total Deductions	3,716,953	182,841
Change in Net Position	3,063,489	82,724
Net Position Restricted		
for Beneficiaries, October 1, 2012, as Restated	31,597,056	1,207,952
Net Position Restricted		
for Beneficiaries, September 30, 2013	\$ 34,660,545	\$ 1,290,676

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ALABAMA

STATEMENT OF NET POSITION
Component Units

September 30, 2013

(Amounts in Thousands)

	University of Alabama	Auburn University	University of South Alabama	Housing Finance Authority	State Employees' Health Insurance
ASSETS					
Cash and Cash Equivalents	\$ 561,176	\$ 74,526	\$ 140,550	\$ 4,240	\$ 10,873
Investments	3,343,140	1,330,479	477,297	570,833	183,308
Due from Primary Government	-	-	-	-	502
Due from Component Units	-	-	-	-	2
Investment Sales Receivable	-	-	-	-	195
Accounts Receivable	391,315	46,799	47,952	15,401	2,245
Due from Other Governments	-	-	-	-	-
Mortgages, Notes, and Loans Receivable	149,612	54,690	7,291	392,183	1,000
Securities Lending Collateral	-	-	-	-	7,812
Inventory	25,347	4,517	-	-	-
Restricted Assets	-	-	86,135	-	-
Other Assets	105,111	35,564	14,929	33,797	306
Capital Assets, Net of Accumulated Depreciation	3,035,185	1,434,065	433,995	-	1,824
Capital Assets Not Depreciated	412,129	113,054	160,194	-	-
TOTAL ASSETS	8,023,015	3,093,694	1,368,343	1,016,454	208,067
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows	27,425	10,911	3,225	-	-
LIABILITIES					
Warrants Payable	-	-	-	-	7
Due to Primary Government	14,388	-	-	-	644
Due to Component Units	-	-	-	-	-
Accounts Payable	331,926	77,589	48,435	1,040	5,769
Interest Payable	-	12,498	-	18,063	-
Due to Other Governments	22,764	-	-	-	-
Securities Lending Obligation	-	-	-	-	7,812
Unearned Revenue	361,884	183,880	48,763	15,718	4,643
Amounts Held in Custody for Others	42,254	23,738	-	314,042	-
Noncurrent Liabilities:					
Due Within One Year	156,696	37,128	19,964	37,116	42,514
Due In More Than One Year	1,975,721	785,009	462,808	303,524	2,367
TOTAL LIABILITIES	2,905,633	1,119,842	579,970	689,503	63,756
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows	274	347	-	-	-
NET POSITION					
Invested in Capital Assets, Net of Related Debt	1,698,666	789,977	227,748	-	1,824
Restricted for:					
Permanent - Expendable	598,089	163,734	13,346	-	-
Permanent - Non-expendable	700,127	332,345	206,258	-	-
Education	-	-	-	-	-
Debt Service	-	-	-	173,593	-
Capital Projects	-	9,388	-	-	-
Other Purposes	-	3,909	105,880	-	-
Unrestricted	2,147,651	685,063	238,366	153,358	142,487
TOTAL NET POSITION	\$ 5,144,533	\$ 1,984,416	\$ 791,598	\$ 326,951	\$ 144,311

The Notes to the Financial Statements are an integral part of this statement.

Public Education Employees' Health Insur	Nonmajor Component Units	Total Component Units
\$ 7,338	\$ 459,563	\$ 1,258,266
164,625	638,636	6,708,318
-	6,009	6,511
-	-	2
-	-	195
5,075	129,843	638,630
1,516	630,847	632,363
-	26,061	630,837
97	1,824	9,733
-	9,525	39,389
-	5,086	91,221
1,896	37,529	229,132
-	1,011,184	5,916,253
-	215,116	900,493
180,547	3,171,223	17,061,343
-	9,904	51,465
12	186	205
517	5,435	20,984
-	2	2
427	69,627	534,813
-	4,413	34,974
-	68,660	91,424
97	1,824	9,733
-	157,508	772,396
-	14,272	394,306
62,611	62,412	418,441
1,102	917,383	4,447,914
64,766	1,301,722	6,725,192
-	-	621
-	636,832	3,355,047
-	81,773	856,942
-	136,254	1,374,984
-	3,303	3,303
-	587,853	761,446
-	28	9,416
-	55,304	165,093
115,781	378,058	3,860,764
\$ 115,781	\$ 1,879,405	\$ 10,386,995

STATE OF ALABAMA

STATEMENT OF ACTIVITIES Component Units

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	University of Alabama	Auburn University	University of South Alabama	Housing Finance Authority	State Employees' Health Insurance
Expenses	\$ 3,883,537	\$ 942,256	\$ 643,235	\$ 57,301	\$ 442,127
Program Revenues					
Charges for Services	2,791,694	516,377	465,157	12,259	408,847
Operating Grants and Contributions	695,294	195,760	30,159	24,850	8
Capital Grants and Contributions	30,506	28,201	12,107	-	-
Total Program Revenues	3,517,494	740,338	507,423	37,109	408,855
Net (Expense) Revenue	(366,043)	(201,918)	(135,812)	(20,192)	(33,272)
General Revenues:					
Payments from State of Alabama	441,797	238,378	101,295	-	-
Grants and Contributions Not Restricted to Specific Programs	446	-	-	-	-
Unrestricted Investment Earnings	173,497	50,535	54,589	13,154	822
Miscellaneous	21,185	-	33,418	-	24
Contributions to Permanent Funds and Endowments	26,567	1,719	3,172	-	-
Total General Revenues, Contributions, Special and Extraordinary Items	663,492	290,632	192,474	13,154	846
Change in Net Position	297,449	88,714	56,662	(7,038)	(32,426)
Net Position, October 1, 2012, as Restated	4,847,084	1,895,702	734,936	333,989	176,737
Net Position, September 30, 2013	\$ 5,144,533	\$ 1,984,416	\$ 791,598	\$ 326,951	\$ 144,311

The Notes to the Financial Statements are an integral part of this statement.

Public Education Employees' Health Insur	Nonmajor Component Units	Total Component Units
<u>\$ 776,253</u>	<u>\$ 1,106,936</u>	<u>\$ 7,851,645</u>
741,911	549,949	5,486,194
8	268,940	1,215,019
-	6,544	77,358
<u>741,919</u>	<u>825,433</u>	<u>6,778,571</u>
(34,334)	(281,503)	(1,073,074)
-	293,369	1,074,839
-	118	564
-	51,406	344,003
1	4,241	58,869
-	400	31,858
<u>1</u>	<u>349,534</u>	<u>1,510,133</u>
(34,333)	68,031	437,059
150,114	1,811,374	9,949,936
<u>\$ 115,781</u>	<u>\$ 1,879,405</u>	<u>\$ 10,386,995</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2013

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the State of Alabama (the primary government) and its component units. Component units are legally separate organizations ("public corporations") for which the primary government is financially accountable. Generally, the primary government is financially accountable if it appoints a voting majority of the organization's board and it can either 1) impose its will on the organization, or 2) there is a financial benefit/burden relationship. If the primary government does not control the board, it may be financially accountable if the organization is fiscally dependent on the State. Organizations making up the primary government and its component units are summarized in the following paragraphs.

1. Primary Government

All state departments, agencies, elected officials, boards, commissions, authorities, committees, halls of fame, educational institutions, and other state organizations (hereafter referred to as "agencies") which are not legally separate are, for financial reporting purposes, part of the primary government. All agencies and funds that operate from within the State Treasury, except those listed later as component units, are part of the primary government. The following non-Treasury agencies operate largely independent of the control of the State Comptroller, State Auditor, and State Treasurer, but lack the corporate powers to make them legally separate and are therefore part of the primary government:

- Alabama Community College System
- Alabama Fire College
- Alabama Technology Network
- Aviation Hall of Fame
- Cahawba Advisory Committee
- Commercial Mobile Radio Service Board
- Dental Examiners Board
- Dental Scholarships Awards Board
- Gorgas Memorial Board
- Alabama Industrial Development and Training Institute
- Medical Examiners and Licensure Commission
- Motor Sports Hall of Fame
- Optometric Scholarships Awards Board
- Optometry Board
- Pharmacy Board
- Pilotage Commission
- Podiatry Board
- School of Fine Arts
- St. Stephens Historical Commission
- State Port Authority
- Women's Hall of Fame

2. Blended Component Units

Blended component units are legally separate but they either exist solely to provide services (usually financing) exclusively to the State, or their debt is expected to be paid using primary government resources. Because of this close relationship, they are blended with and reported as though they are a part of the primary government. All references in the financial statements or elsewhere in these notes to the term "primary government" will encompass both the primary government and the blended component units.

The following blended component units were created for the purpose of financing capital expenditures for the State. Each issues revenue bonds that are limited obligations of the component unit. Their boards consist of state officials and specific state revenues are pledged for bond repayment. Those marked with a † are currently inactive and had no financial balances or activity in the past fiscal year.

- Agriculture Markets and Coliseum Authority †
- Corrections Institution Finance Authority

For the Fiscal Year Ended September 30, 2013

- Mental Health Finance Authority
- Federal Aid Highway Finance Authority
- Highway Authority †
- Industrial Access Road and Bridge Authority †
- Toll Road, Bridge and Tunnel Authority †
- Judicial Building Authority
- Alabama Trade School and Junior College Authority †
- Gulf State Park Authority†

The Building Renovation Finance Authority has the same characteristics as those in the previous paragraph, but has the added responsibility of operating, maintaining, and renting buildings in the capitol complex that are occupied by state departments.

The following blended component units were created primarily for the purpose of financing capital grants and loans. These grants and loans are made to local school systems for building and equipping school buildings, or to local industrial development boards, or to industries locating in or expanding in the State. Each issues revenue bonds that are limited obligations of the component unit. Their boards consist of a majority of state officials and specific state revenues are pledged for bond repayment. Those marked with a † are currently inactive and had no financial balances or activity in the past fiscal year.

- Alabama Public School and College Authority
- Alabama Incentives Financing Authority
- Alabama Twenty-first Century Authority
- State Industrial Development Authority
- Revolving Loan Fund Authority
- Tennessee Valley Exhibit Commission †

The Department of Mental Health provides mental health services to the people of Alabama. The Governor of the State and the commissioner of the Department constitute a public corporation and are advised by a sixteen-member board of trustees. The commissioner and ten of the board members are appointed at the discretion of the Governor. All of the department's debt is repaid with resources of the primary government.

The Public Historical Sites and Parks Improvement Corporation issues bonds and uses the proceeds to renovate, improve, maintain, and construct State owned public historical sites and parks not under the jurisdiction of the Department of Conservation and Natural Resources as well as non-State owned public historical sites and parks. The six members of the Corporation are state officials. The debt is repaid entirely with resources of the primary government.

The State Parks System Improvement Corporation renovates, improves, maintains, and constructs assets belonging to the State Parks System. The six members of the Corporation are state officials. The debt of the Corporation is repaid entirely with resources of the primary government.

The Tombigbee Valley Development Authority consists of six state officials who oversee the development of improvements along the Tombigbee River. The debt of the Authority is repaid entirely with resources of the primary government.

The Coosa Valley Development Authority oversees developments and improvements along the Coosa River. Six of the seven members of the Authority are state officials. The debt of the Authority is repaid entirely with resources of the primary government.

The Forensic Science Bond Authority has the power to acquire, construct, and equip laboratories and other facilities for the State Department of Forensic Sciences. The four members of the Authority are state officials. The Authority had no financial activity in the past fiscal year.

The Alabama State Parking Deck Authority has the authority to sell bonds, operate, maintain, and rent space in a parking deck on a block in the capitol complex. The members of the Authority are State officials and the debt will be repaid with State resources.

The Educational Television Foundation Authority raises and manages money and property solely for the benefit of the Alabama Educational Television Commission, a State agency. The Authority consists of thirteen members who are appointed by the

Alabama Educational Television Commission. The Authority provides fund raising and promotion flexibility that the Commission, as part of the primary government, would not otherwise have.

The Public Health Care Authority was created solely to build, furnish, and maintain facilities for the use of the Department of Public Health, a State agency, financing those facilities with debt issuances which are backed by leases with the Department. Three of the seven board members are state officials but the remaining board members are not appointed by the State and the Authority is not fiscally dependent on the State. The Authority is included in these financial statements because it would be misleading to exclude them due to the close relationship with the State.

3. Discretely Presented Component Units

Discretely presented component units are organizations, which are legally separate and do not exist to provide services exclusively to the primary government. Providing services to the citizens of the state is not considered the same as providing services to the primary government institution. Financial information for discretely presented component units is segregated on the financial statements and the notes in the "Component Unit" columns in order to emphasize that they are legally separate.

Most of the discretely presented component units have boards that are controlled by the primary government through the appointment of a majority of the board members. The State has been determined to be financially accountable for each organization because it can impose its will on each organization. Unless otherwise noted, financial accountability for each organization described below exists at least in the ability of the State to modify the component unit's budget. Other manifestations of financial accountability may also exist.

For discretely presented component units whose boards are not controlled by the State, the organization has been determined to be fiscally dependent on the State. Unless otherwise noted, fiscal dependency exists at a minimum in the State's ability to modify the component unit's budget. Other manifestations of fiscal dependency may also exist.

When audited financial statements for a discretely presented component unit exist, the address at which such financial statements can be obtained is included in the following paragraphs describing each component unit. For all other discretely presented component units, complete financial statements may be obtained from the State of Alabama, Office of State Comptroller, RSA Union Building, Suite 206, Montgomery, AL 36130-2602.

The Water Pollution Control Authority operates a revolving loan fund to aid municipalities in financing the construction of wastewater treatment facilities. A five-member board of directors made up of ex officio members governs the Authority. Audited financial statements of the Authority may be obtained from the Alabama Department of Environmental Management, 1400 Coliseum Boulevard, Montgomery, AL 36130.

The Alabama Drinking Water Finance Authority operates a revolving loan fund to aid local governments in financing the construction of sanitary drinking water facilities. A five-member board of directors made up of ex officio members governs the Authority. Audited financial statements of the Authority may be obtained from the Alabama Department of Environmental Management, 1400 Coliseum Boulevard, Montgomery, AL 36130.

The Crime Victims Compensation Commission awards compensation for economic losses arising from criminal conduct and works to change laws to benefit crime victims. The Commission consists of three members who are appointed by the Governor.

The Alabama Education Foundation encourages donations of money for local school systems and invests the money for the benefit of each local system. The Foundation is governed by a twelve-member board that is made up of state officials and other individuals appointed by state authorities.

The Supercomputer Authority operates a supercomputer for the use of educational and governmental research institutions, private businesses, and individuals. The twenty directors of the Authority are appointed by state officials.

The Public Education Employees' Health Insurance Board operates a health insurance plan for employees of public school systems, state junior colleges, colleges, universities, and related education administrative employees. The State does not appoint a majority of the Board but the Board is fiscally dependent on the State. Audited financial statements of the board may be obtained at 201 South Union Street, Montgomery, AL 36104-0001.

NOTES TO THE FINANCIAL STATEMENTS**For the Fiscal Year Ended September 30, 2013**

The State Employees' Insurance Board operates health insurance plans for state employees and for employees of local governments. The State does not appoint a majority of the Board but the Board is fiscally dependent on the State. Audited financial statements of the board may be obtained at Suite 200, 201 South Union Street, Montgomery, AL 36104.

The boards of the four-year colleges of the State, except for the University of Alabama, are appointed by the State. Those colleges are: Alabama A&M University, Alabama State University, Athens State University, Auburn University, Jacksonville State University, University of Montevallo, University of West Alabama, University of North Alabama, University of South Alabama, and Troy University. The University of Alabama board of trustees is not controlled by the State, but the University is subject to budgetary control by the State. The Crimson Tide Foundation, UAB Research Foundation, Triton Health Systems, L.L.C., and UAB Hospital Management, L.L.C. are blended component units of the University of Alabama and are therefore included in all amounts reported for the University. The University of South Alabama includes the Professional Liability Trust Fund, the General Liability Trust Fund, and the USA HealthCare Management, LLC as blended component units.

In addition to the blended component units, there are other legally separate, tax exempt organizations that are discretely presented component units of the universities. These organizations generally exist to raise funds to benefit a specific university. Although the university may not control the timing or amount of receipts from these foundations, the majority of resources that the foundations hold and invest are restricted to benefit the activities of the universities by the donors. Because the resources are held for the benefit of the universities, the foundations are considered discretely presented component units of the universities and are included in each of the universities' financial statements. For the University of Alabama, the University's discretely presented component units are The National Alumni Association of The University of Alabama, The Capstone Foundation, The 1831 Foundation, The Capstone Health Services Foundation, The University of Alabama Law School Foundation, The Donor Advised Fund, Southern Research Institute, and The University of Alabama Huntsville Foundation. For Alabama State University, the Alabama State University Foundation, Inc. and the Trust for Educational Excellence at Alabama State University are component units. For Auburn University, the University's component units are the Auburn University Foundation, Tigers Unlimited Foundation, Auburn Alumni Association, and Auburn Research and Technology Foundation. The University of Montevallo Foundation is a component unit of the University of Montevallo and is included in the amounts reported for Montevallo. The University of South Alabama has three component units, the University of South Alabama Foundation, University of South Alabama Health Services Foundation, and USA Research and Technology Corporation. The Troy University Foundation is a component unit of Troy University. Jacksonville State University's component unit is Jacksonville State University Foundation, Inc. For the University of North Alabama, the University of North Alabama Foundation is a component unit and is included in the amount reported for North Alabama. The Alabama A&M University has two component units – The Alabama A&M University Foundation, Inc. and the Trust for Educational Excellence at Alabama A&M University. For Athens State University, the Athens State University Foundation is a component unit.

Complete financial statements for the universities which are audited by other auditors may be obtained at the following addresses: Chief Fiscal Officer, University of South Alabama, Business Office AD 380, Mobile, AL 36688-0002; Office of the Vice President for Business and Finance, Alabama A&M University, P.O. Box 369, Normal, AL 35762; Vice-President for Financial Affairs, University of Alabama at Tuscaloosa, P.O. Box 870136, Tuscaloosa, AL 35487-0136; Office of Accounting and Financial Reporting, The University of Alabama in Huntsville, 301 Sparkman Drive, Huntsville, AL 35899; Vice President for Financial Affairs and Administration, University of Alabama at Birmingham, AB 1030, 1530 3rd Avenue South, Birmingham, AL 35294-0110; Director of Financial Reporting, Auburn University, 321 Ingram Hall, Auburn University, AL 36849-5161; Comptroller, Station 6061, University of Montevallo, Montevallo, AL 35115-6000; Vice President for Business and Finance, Alabama State University, 915 S. Jackson Street, Montgomery, AL 36104; Vice President for Financial Affairs, Athens State University, 300 North Beaty Street, Athens, AL 35611.

The Alabama Institute for the Deaf and Blind (AIDB) is an educational institution governed by a fourteen-member board, twelve of whom are appointed by the Governor. The Alabama Institute of Deaf and Blind Foundation, Inc. is a component unit of AIDB and is included in the amount reported.

The Marine Environmental Sciences Consortium provides educational programs in marine sciences for the graduate and undergraduate level and conducts research in marine sciences. The board of directors is composed of the chief executive officers of the member institutions.

The U.S.S. Alabama Battleship Commission consists of eighteen members appointed by the Governor. The Commission operates a memorial park centered near the historic battleship.

The fourteen-member board of directors of the Housing Finance Authority is appointed by various state officials. The Authority sells bonds and uses the proceeds to make it possible for lenders to make low interest rate mortgages available to low income home buyers. The primary government does not affect the Authority's budget, but the legislature has historically limited the Authority's ability to issue bonds. Audited financial statements may be obtained from the Authority, P.O. Box 230909, 2000 Interstate Park Drive, Suite 408, Montgomery, AL 36123-0909.

The Alabama Historic Ironworks Commission operates an historic park based on one of the State's early ironworks. Fourteen of the eighteen members of the commission are appointed by the Governor. Part of the Commission's budget is subject to State control.

The Space Science Exhibit Commission operates the Alabama Space and Rocket Center along with the Space Camp. All eighteen members of the Commission are appointed by the Governor and part of the Commission's budget is subject to State approval. Audited financial statements may be obtained from the Commission at the Alabama Space and Rocket Center, P. O. Box 070015, Huntsville, AL 35807-7015.

The Alabama International Airport Authority was created to develop an international airport in the State. The State controls the appointment of only five of the ten members. All funding for the Authority was historically through the General Fund, so the Authority is subject to full budgetary control. The Authority has received no funding for a number of years and is currently inactive.

The Historical Commission is responsible for the preservation of historic sites, buildings, and objects. The twenty-member Commission is not controlled by the State, but the Commission's budget is subject to State control.

The Choctawhatchee Pea and Yellow Rivers Watershed Management Authority develops and executes plans for water conservation and usage, flood control and prevention, water pollution control, wildlife habitat protection, and erosion control within the boundaries of the Authority. The directors of the Authority are elected by local residents, but the Authority is subject to State budgetary control.

The Agricultural Museum Board exists to preserve and exhibit agricultural artifacts. The Board is not controlled by the State, but it is subject to State budgetary control.

The Music Hall of Fame operates a public exhibit displaying music memorabilia in honor of Alabamians who have made a lasting contribution to music. The Hall has both an independent board and is fiscally independent of the State. The Hall is included in these financial statements because it would be misleading to exclude. The State has some limited budgetary influence and the State funded the construction of the Hall's facilities with a general obligation bond issue.

The Historic Blakeley Authority preserves the historic site of the town of Blakeley and operates a park on the site. The Authority has both an independent board and is fiscally independent of the State. The Authority is included in the reporting entity because the State has some limited budgetary influence and the State provides the majority of the Authority's funding.

The Agricultural Development Authority promotes development of agriculture in the State by making low interest loans available to persons engaged in agricultural operations. The seven-member board is made up of three state officials and four other persons appointed by the State.

The Red Mountain Greenway and Recreational Area Commission is responsible for preserving, restoring, and promoting as a greenway, recreational area, or historic site certain land in Birmingham which played an important role in the steel industry of the State. The fifteen member Commission is not controlled by the State, but the Commission is fiscally dependent on the State.

4. Fiduciary Component Units

Component units that are fiduciary in nature are required by GAAP to be reported with the fiduciary funds of the primary government rather than as discretely presented component units. In accordance with GAAP, primary government fiduciary funds and component units that are fiduciary in nature are excluded from the government-wide financial statements.

The Employees' Retirement System (ERS), a discretely presented component unit, operates several pension (and other employee benefit) trust funds for the benefit of state and local governmental employees. The ERS is governed by a thirteen-member board of control, seven of whom are either primary government officials or appointees of the Governor.

For the Fiscal Year Ended September 30, 2013

The Teachers' Retirement System (TRS), a discretely presented component unit, operates a pension plan for the benefit of all employees of public education institutions throughout the State. It is governed by a fourteen-member board, ten of whom are elected from among the member employees. The administrative budget of TRS is subject to approval by the State. Audited financial statements for the TRS and ERS may be obtained from the RSA at 201 South Union Street, P.O. Box 302150, Montgomery, AL 36130-2150.

5. Excluded Organizations

Other entities have been examined but failed to meet the criteria for inclusion in the State's reporting entity. City and county boards of education are legally separate organizations whose boards are not controlled by the State. They are fiscally dependent on both the State and local government. It is more appropriate that they be included in a local government's reporting entity.

The Elk River Development Agency, Bear Creek Development Authority, Cahaba Trace Commission, and North Alabama Agriplex Board are legally separate organizations whose boards are not controlled by the State nor are they fiscally dependent on the State. All four of these organizations are excluded. The many local soil and water conservation districts are legally separate organizations which have independent boards and are fiscally independent. In keeping with their independence, they are excluded from this report.

6. Sources of Information

The majority of state organizations, whether primary government or component unit, conduct their financial operations from the State Treasury through the State's central accounting system under the supervision and review of the State Comptroller, State Treasurer, and State Auditor. The source of information on these agencies is the State's central accounting system. For these agencies, the recording of cash, warrants payable, encumbrances, salaries payable, compensated absences, most investments, most short-term payables, most revenues, and most expenditures/expenses are controlled by the State Comptroller and/or the State Treasurer and are therefore subject to extensive scrutiny. Accruals of revenues, a few accruals of expenditures/expenses, and all other accounts, such as depreciation, capital assets, inventories, and capital leases, generally are based on data provided by the individual agencies. The data provided by the agencies are reviewed and recorded once a year and are believed to be materially correct even though they are not generally subject to extensive scrutiny by the State Comptroller, State Treasurer, or State Auditor.

There are some organizations and funds which meet the criteria for inclusion as part of the reporting entity even though they have the authority to conduct their financial operations through bank accounts and accounting systems outside the State Treasury, independent of the direct daily control of the State Comptroller, State Treasurer, and State Auditor. These non-Treasury agencies are included in the financial statements based on information provided to the State Comptroller once a year by the agency or the agency's auditors. Whenever possible, the non-Treasury agencies are reported as they appeared in the information submitted to the State Comptroller. However, corrections or modifications have been made whenever required to comply with generally accepted accounting principles or wherever necessary to ensure consistent statewide report presentation.

The following non-Treasury agencies and funds are included in this report:

a. Primary Government

- Alabama College Education Savings Trust Fund
- Alabama Community College System
- Alabama Deferred Compensation Plan
- Alabama Health Insurance Plan
- Alabama Industrial Development Training Institute
- Alabama School of Fine Arts
- Alabama State Port Authority
- Alabama Fire College
- Alabama Technology Network
- Attorney General Outside Accounts
- Aviation Hall of Fame
- Blind Vendors Fund
- C.C. Smith Trust Fund
- Cahawba Advisory Committee
- Charlotte Thorn Endowment Fund
- Corrections Bank Accounts and Agency Funds

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- Corrections Canteen Funds
 - Court System Local Accounts
 - Dental Examiners Board
 - Dental Scholarships Awards Board
 - Department of Human Resources Local Funds
 - Educational Television Foundation Authority
 - Geological Survey Library Revolving Fund
 - Gorgas Memorial Board
 - Hicks Memorial Endowment Fund
 - High School of Math and Science
 - Insurance Department Statutory Deposits
 - Insurance Department Receivership
 - Mary May Eliot Memorial Fund
 - Medicaid Agency Lien Account
 - Medical Scholarships Awards Account
 - Medical Examiners and Licensure Commission
 - Men's Hall of Fame Outside Account
 - Military Department Unit Funds
 - Motor Sports Hall of Fame
 - National Guard Canteen Funds
 - Optometry Board
 - Optometric Scholarships Awards Board
 - Peace Officers' Annuity and Benefit Investment Account
 - Pharmacy Board
 - Pilotage Commission
 - Podiatry Board
 - Public Health Care Authority
 - Public Health Local Funds
 - Public Safety Narcotics Funds
 - Sports Hall of Fame Checking Account
 - St. Stephens Historical Commission
 - State Bar Checking Account
 - State Bar Client Security
 - State Bar Foundation
 - State Port Authority Hourly Pension Plan
 - State Port Authority Railway Pension Plan
 - Stonewall Jackson Memorial Fund
 - Supreme Court Checking Account
 - Supreme Court Law Library Checking Account
 - Unemployment Compensation Funds
 - Victims Services Fund
 - W.V. Chambliss Trust Fund
 - Wireless 911 Board
 - Women's Hall of Fame
 - Youth Service Student Accounts and Local Funds

b. Discretely Presented Component Units

- Alabama Agricultural & Mechanical University
- Alabama Drinking Water Finance Authority
- Alabama Historic Ironworks Commission
- Alabama Housing Finance Authority
- Alabama Institute for Deaf and Blind
- Alabama State University

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- Athens State University
- Auburn University
- Historic Blakeley Authority
- Crime Victims' Compensation Fund
- Jacksonville State University
- Marine Environmental Sciences Consortium
- Mental Health Capital Projects - Bank Account
- Music Hall of Fame
- Red Mountain Greenway and Recreational Area Commission
- Space Science Exhibit Commission and
Space Science Exhibit Finance Authority
- Troy University
- U.S.S. Alabama Battleship Commission
- University of Alabama in Birmingham
- University of Alabama in Huntsville
- University of Alabama System Office
- University of Alabama in Tuscaloosa
- University of Montevallo
- University of North Alabama
- University of South Alabama
- University of West Alabama
- Water Pollution Control Authority

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

Government-wide financial statements include two basic financial statements: the Statement of Net Position and the Statement of Activities. The two statements report the State's governmental activities separately from its business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Fiduciary funds and fiduciary-type component units are excluded from the government-wide financial statements.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net Position is reported in three categories:

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position results when constraints placed on net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of net position that does not meet the definition of the two preceding categories.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenue.

2. Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Measurement Focus and Basis of Accounting

These financial statements are reported in conformity with generally accepted accounting principles (GAAP) unless otherwise noted on the face of the statement or in the Notes to the Financial Statements. GAAP basis reporting differs considerably in some ways from the budgetary and cash basis accounting under which the State budgets and operates.

a. Accrual Basis

Under GAAP, the government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Agency funds, however, do not have a measurement focus. Revenues are recognized and recorded when earned and expenses are recorded when a liability is incurred for exchange and exchange-like transactions, regardless of the timing of cash flows. For nonexchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement No. 33. For derived nonexchange transactions, receivables and revenues are recognized when the underlying exchange has occurred. For imposed nonexchange transactions, receivables are recognized when an enforceable legal claim has arisen. Revenues are recognized when resources are required to be used or the first period that use is permitted.

Property taxes are recognized as revenues in the year for which they are levied. For government mandated nonexchange revenues such as grants, GAAP require the recognition of assets, revenues, liabilities, and expenditures when all eligibility requirements have been met and (for revenues) resources are available. Agency funds, fiduciary in nature, do not recognize revenues and expenditures.

Proprietary funds report operating revenues and expenses separately from non-operating items. Operating items generally result from producing and delivering goods and services that are a normal part of the primary business of the fund. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

b. Modified Accrual Basis

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers tax revenues and court settlements to be available if they are collected within sixty days of the end of the fiscal period. Revenues that the State earns by incurring obligations are recognized in the period when all applicable eligibility requirements have been met and the resources are available. The State considers revenues earned by incurring obligations to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

Under the modified accrual basis of accounting, recognition criteria are different for exchange and nonexchange transactions. For exchange and exchange-like transactions, revenues and related current assets are recognized when measurable and available to finance operations during the year or if available to liquidate liabilities existing at the end of the year. Therefore, in governmental fund financial statements, revenues and the resulting assets are accrued at year-end only if the revenues are earned and the receivables are expected to be collected in time to pay for liabilities in existence at the end of the period. Expenditures are recognized when the related fund liability is incurred, except for items that are not expected to be liquidated with expendable available resources, such as the long-term portion of compensated absences payable and capital lease obligations. Therefore, expenditures and the related liabilities are accrued at year-end only when they are normally payable from current expendable funds. In order to determine which revenues should be accrued, an arbitrary time limit is established. Revenues are recognized when measurable and available. The State uses sixty days after fiscal year end as the time limit for the accrual of revenues. For nonexchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement No. 33. For income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, gasoline taxes, motor fuels tax, electric public utility tax, and other derived nonexchange transactions, receivables and revenues are recognized when the underlying exchange has occurred and the resources are available. For property taxes, business privilege tax, and other imposed nonexchange transactions, receivables are recognized when an enforceable legal claim has arisen. Revenues are recognized when resources are required to be used or the first period that use is permitted and the resources are available. For

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property taxes, revenues are recognized if received within sixty days; otherwise, deferred revenue is recognized. For federal grants and other government mandated nonexchange revenues, assets, revenues, liabilities, and expenditures are recognized when all eligibility requirements have been met and (for revenues) resources are available. For reimbursement-type federal grants, eligibility requirements are met when recipients incur allowable costs, not when those costs are submitted for reimbursement.

Material accruals are for income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, gasoline taxes, motor fuels tax, electric public utilities tax, property taxes, business privilege tax, nursing facility tax, pharmaceutical services tax, federal grants, oil and gas royalties, investment sales receivables, and interest.

2. Financial Statement Presentation

a. Major Funds

The State reports six major governmental funds. The **General Fund** is the State's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund. The **Education Trust Fund** accounts for the revenues collected for the support, maintenance, and development of public education in Alabama. General sales and uses taxes, income taxes, and utilities taxes are the primary revenues restricted to this fund. The **Alabama Trust Fund** consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast. Investment income earned on the trust balance is used to support the General Fund, Forever Wild Land Trust, and a variety of capital projects and debt service. **Medicaid** accounts for the portion of the Medicaid program that is funded by Federal revenues and Medicaid provider taxes. The **Public Road and Bridge Fund** accounts for funds used to construct and maintain public highways. Revenues in the fund consist of federal revenues, gasoline taxes, and other motor fuel taxes. The **Public Welfare Trust Fund** accounts for the administration of a broad range of social and protective services programs that provide financial assistance to individuals. Revenues restricted to the fund include federal revenues, property taxes, and liquor and wine taxes.

The State reports four major enterprise funds. The **Unemployment Compensation Trust** accounts for the activities of the federal unemployment insurance program including employer contributions, Federal Unemployment Trust advances, and benefit claims to the unemployed. The **State Port Authority** was created to engage in promoting, developing, constructing, maintaining, and operating harbors, seaports, and river ports within the State of Alabama. The **Alabama Community College System** accounts for the revenues and expenses of the State's Community and Technical Colleges, the Alabama Technology Network, and Marion Military Institute. The **Alcoholic Beverage Control Board** was created to control alcoholic beverages through distribution, licensing, and enforcement.

b. Nonmajor Funds

The State reports a number of nonmajor governmental funds, proprietary funds, and fiduciary funds.

Governmental Fund Types:

Special Revenue Funds account for the proceeds of specific revenue resources that are restricted or committed to specified purposes other than debt service or capital projects. Examples include public health, education, and corrections.

Debt Service Funds account for financial resources that are restricted, committed or assigned to expenditure for governmental debt principal and interest.

Capital Projects Funds account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition, construction, and improvement of major general governmental capital assets.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

Proprietary Fund Types:

Enterprise Funds report the activities for which fees are charged to external users for goods or services such as health insurance.

Internal Service Funds provide goods or services primarily to other agencies or funds of the State, rather than to the general public. Examples include information technology, telecommunications, office building rentals, and the State Motor Pool. In the government-wide statements, internal service funds are included with governmental activities. Eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity on the government-wide financial statements.

Fiduciary Fund Types:

Pension and Other Employee Benefit Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, deferred compensation plans, individual retirement accounts, post-employment health care plans, and flexible employees' benefit plans. The defined benefit pension plans include plans for state employees, state police, some city and county employees, teachers, judges, peace officers, state dock employees, and circuit clerks of the courts.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The State's largest private purpose funds are education related for either college tuition benefits or local public schools. There are five endowment funds established by private citizens that the State manages as trustee for local school systems and reports as Local Education Endowments. The Foundation for Local Schools was established so that the Retirement Systems of Alabama can use its investing expertise to get maximum return on investments for numerous small local school foundations and trusts.

Agency Funds report assets and liabilities for deposits and investments entrusted to the State as an agent for others. The State has agency funds that account for some taxes collected, payroll withholdings, child support payments, cash bonds, and other purposes.

D. Fiscal Year

The State fiscal year ends on September 30. One nonmajor component unit, the Alabama Space Science Exhibit Commission, has the power to set its own fiscal year (*Code of Alabama 1975*, Section 41-10-307, as amended). The Commission has set its fiscal year to end on the last Sunday in September. The difference in fiscal years has no material effect on the financial statements.

E. Assets, Liabilities, Deferred Outflows and Deferred Inflows, and Net Position and Fund Balances

1. Cash and Cash Equivalents

Cash and Cash Equivalents, as reported on the financial statements (the government-wide and the fund financial statements), are under the control of the State Treasurer or other administrative bodies as determined by law. The cash in all funds operating from the State Treasury is pooled as treasury cash and invested by the State Treasurer. The State Treasurer has statutory authority to deposit treasury cash in any available bank product in any bank or savings association that is a qualified public depository and that has been designated as a state depository according to law, so long as the bank or savings association agrees to pay interest on the money. Also, the State Treasurer may invest in 1) bonds, notes, or treasury bills of the United States or in obligations of any agency or instrumentality of the United States of America, including but not limited to the Federal Land Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Intermediate Credit Bank, banks for cooperatives, Resolution Trust Corporation, or any of its other agencies, or in any other obligations guaranteed as to principal and interest by the United States, or in money market mutual funds which invest solely in securities otherwise authorized by law; 2) obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself; and 3) commercial paper with the highest quality credit rating at the time of purchase and in banker's acceptances. All of the cash and investments in the State Treasury cash management pool are reported as cash and cash equivalents because the pool is used essentially as a demand deposit account. Commercial paper is reported as an investment regardless of the original maturity date. For funds operating outside the State Treasury, cash and cash equivalents generally include demand deposit accounts, petty cash accounts, and short-term, highly liquid investments with a maturity date of three months or less when purchased.

2. Receivables

In the government-wide and governmental fund financial statements the largest receivables are amounts due from other governments. More than half is due from local governments, primarily for long term loans made by the Alabama Public School and College Authority. The rest consists of grants and reimbursements due from the federal government where collectability is reasonably assured. All receivables are recorded net of allowance for uncollectible accounts.

The second largest receivables are taxes receivable, the largest of which are for income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, gasoline taxes, motor fuels taxes, oil and gas production privilege tax, and property taxes as required by GASB Statement 33.

The property tax calendar for the State is simple. The levy date, the assessment date, and the lien date are all the same date – October 1. On October 1, the assessed value of all property is multiplied by the applicable rates to levy the property tax. On that date, the State has a lien (a legal claim) against the property. The property tax is not due until October 1 the following year. The property tax is paid in arrears between October 1 and December 31. After December 31, it is delinquent.

For the Fiscal Year Ended September 30, 2013

The most significant Accounts Receivable is recorded in the Alabama Trust Fund for oil and gas royalties earned on natural gas produced in Alabama's offshore waters. The primary government has minimal amounts of Notes and Loans Receivable; as such agreements would constitute an illegal extension of credit by the State for any fund operating from the State Treasury. Investment Sales Receivable consists of amounts receivable for investments sold but the transaction was not settled before year-end.

For component units, the largest portion of Mortgages, Notes, and Loans Receivable consists of loans made by the Alabama Housing Finance Authority. The mortgage loans of the Authority are carried at their unpaid principal balances less an allowance for loan losses. Also included in this category are student loans owed to various Universities. The loans are reported net of an allowance for uncollectible loans.

Due from Other Governments as reported for the component units consists almost entirely of amounts owed by local governments. Most of the amount consists of loans made to local governments by the Water Pollution Control Authority and the Drinking Water Finance Authority. Accounts Receivable as reported for the component units are comprised primarily of amounts owed to universities.

3. Interfund Activity and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as either Due To Other Funds or Due From Other Funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as Internal Balances. Receivables and payables involving fiduciary funds are presented as accounts payable or receivable on the government-wide Statement of Net Position.

Eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. However, interfund services, provided and used between different functions, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

4. Inventories

Inventories of supplies in governmental fund financial statements are reported at cost using the purchases method. An inventory asset account is reported on the balance sheet with an offset to Nonspendable Fund Balance. Inventories of materials and supplies on proprietary fund financial statements are determined by both physical counts and through perpetual inventory systems and are valued at the lower of cost or market. Valuation methods used on the proprietary and governmental fund financial statements include first-in first-out, average cost, weighted average, and retail inventory method.

5. Investments

Investments as reported on the Statement of Net Position include long-term investments. As required by GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", most investments are recorded at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the current interest rate for similar instruments. The fair value of real estate investments held by pension plans and endowments is based on independent appraisals. Real estate investments held by Risk Management, an internal service fund, are reported at cost less accumulated depreciation and less an allowance for any impairment in value. No investments are recorded at amortized cost.

6. Restricted Assets

Assets required to be held and/or used as specified in bond covenants, other debt agreements, donor specifications, and court settlements have been recorded as "Restricted Assets." These assets consist primarily of cash and cash equivalents, U.S. Treasury obligations, certificates of deposit and mutual funds.

7. Capital Assets

Capital assets, including buildings, land, equipment, intangibles, and infrastructure (e.g., roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Most capital assets are defined by the State as assets with an initial cost of at least \$5,000 and have initial useful lives extending beyond a single reporting period. Software and other intangibles must have an initial cost of at least \$100,000. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements Other than Buildings	25
Equipment	5-12
Software	10

Land, infrastructure, construction in progress and historical artifacts are not depreciated. The State has elected to apply the modified approach to accounting for infrastructure (e.g., roadways, bridges, and tunnels). Under this approach, the infrastructure assets are not depreciated because the State is committed to maintaining the assets at a minimum condition level that the Department of Transportation (ALDOT) has determined to be adequate to meet the needs of the citizens. Costs for maintenance and preservation are expensed in the period incurred. Additions and improvements are capitalized. The ALDOT maintains an inventory of all infrastructure assets and performs regular condition assessments of those assets to establish that they are in fact being maintained at or above the condition level established. ALDOT also makes an annual estimate of the cost necessary to maintain and preserve those infrastructure assets at the target condition level. The cost of infrastructure reported includes historical costs from 1980 to the present as required by GASB Statement No. 34 as well as historical costs preceding 1980.

Extensive project documentation is required to meet various Federal and State guidelines concerning the construction of infrastructure. The completeness of this documentation affects the timing of project capitalization. The State capitalizes road and bridge infrastructure annually when all costs for a project are incurred and all project documentation is satisfactorily completed, filed and accepted with the appropriate entities. Projects that meet the cost and documentation criteria are closed and appropriate entries are made to adjust the Infrastructure Construction in Progress and Infrastructure asset accounts annually. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service on the State's roadway network and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred.

8. Compensated Absences

Employees in permanent positions accrue annual leave at a rate of four hours and twenty minutes to nine hours and forty-five minutes semi-monthly, depending upon their length of service. Upon separation from service, an eligible employee is paid for the actual number of annual leave days he has earned, up to a maximum of sixty days, with the amount being computed on the basis of his daily pay rate at time of separation multiplied by the number of days leave due.

Sick leave is accrued at a rate of four hours and twenty minutes semi-monthly. Employees may accumulate up to a maximum of 150 days sick leave. Employees may be compensated for one-half of the maximum accrued sick leave only upon retirement from state service. The employee must have twenty-five years of service or have attained the age of 60 and have ten years of service to be eligible to retire. State Troopers must have twenty-five years of service or have attained the age of 52 and have ten years of service to be eligible to retire. If a state employee in the classified service dies while in active service to the State, the estate of the deceased employee receives a payment of fifty percent of the accrued and unused sick leave, not to exceed 600 hours, which the employee was credited with at the time of his or her death.

The monetary value of accumulated annual and sick leave payable upon termination or retirement is included in the government-wide statement of net position, proprietary fund financial statements, and fiduciary fund financial statements. In the governmental fund financial statements, amounts reported are for unused, matured leave amounts payable to employees whose employment was terminated by September 30. These amounts are paid to the employees during the first month after the end of the fiscal year so those actual payments were used to compute the amount payable. Amounts not payable from expendable available resources (long-term liabilities) are reported in the government-wide Statement of Net Position.

For the Fiscal Year Ended September 30, 2013

The liability for compensated absences was computed using salary rates effective at fiscal year-end including the employer's share of social security and Medicare taxes payable and represents annual and sick leave earned up to the allowable ceilings. The sick leave is calculated separately for vested and non-vested employees. Sick leave is subjected to an actuarially determined probability multiplier that the employee will remain to retire and collect sick leave. The probability multipliers are as follows:

	Vested	Non-vested
Public Education Employees	85.2%	49.5%
State Employees	79.7	37.1

9. Long-Term Obligations

Long-term debt is recognized as a liability in governmental fund financial statements when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability in governmental fund financial statements. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds in the proprietary fund financial statements.

10. Deferred Outflows and Deferred Inflows

Deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources in the current period. Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until then. Some component units early implemented GASB 65 resulting in the amounts reported in the government-wide Statement of Net Position as deferred outflows of resources and deferred inflows of resources.

11. Net Position and Fund Balances

As discussed previously, net position on the government-wide financial statements and the proprietary fund financial statements are reported in three categories: (1) invested in capital assets, net of related debt; (2) restricted net position; and (3) unrestricted net position.

Fund balances reported in the governmental fund financial statements are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either 1) not in spendable form, such as inventory and long term receivables; or 2) legally and contractually required to be maintained intact, such as the principal of a permanent fund. Restricted fund balances have constraints placed on the use of the resources that are either 1) externally imposed by creditors, grantors, contributors, or laws of other governments or 2) imposed by law through constitutional provisions or enabling legislation. Committed fund balances include amounts constrained by formal action of the State's highest decision-making authority. The authorization should have the consent of both the legislative and executive branches of government. Commitments may be changed or lifted only through an equivalent formal high level action. Commitments are not considered to be legally enforceable by an external party. External parties such as citizens or the judiciary can compel the State through legal action to honor restrictions but not commitments. The State does not have any policy or procedure for establishing committed fund balances and none are reported in these financial statements. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes. Assigned fund balances include 1) all remaining non-negative amounts reported in governmental funds other than the General Fund and 2) amounts in the General Fund that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the State legislature or by its delegation to a State official. The State Finance Department, under the legal authority of the State Finance Director, has established Fiscal Policies and Procedures which enable agency heads to establish assigned amounts. Unassigned fund balance is the residual classification and only the General Fund can report a positive unassigned fund balance. Negative unassigned fund balance can be reported in any governmental fund if expenditures incurred for specific purposes exceeded the amount restricted, committed or assigned to those purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the State's policy to spend unrestricted fund balance before restricted. Unrestricted fund balance is considered spent in the following order: unassigned, assigned, committed.

F. New Accounting Pronouncements

During the current fiscal year, the State implemented the following new accounting pronouncements:

- GASB Statement No. 60: Accounting and Financial Reporting for Service Concession Arrangements
- GASB Statement No. 61: The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34
- GASB Statement No. 62: Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements
- GASB Statement No. 63: Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Some of the component units of the State chose to early implement GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The University of Alabama, Auburn University, and the University of South Alabama are the major components units that early implemented.

NOTE 2 - FUND BALANCES/NET POSITION

A. Restricted Net Position

The Government-wide Statement of Net Position reports \$7.5 billion of restricted net position for the primary government, of which \$677,338,000 is restricted by enabling legislation.

B. Restatements

Fund Balances and Net Position as of October 1, 2012 have been restated for prior period adjustments necessary to conform to GAAP. Included in those restatements are differences resulting from the implementation of *Governmental Accounting Standards Board Statement 61 (GASB 61)*. GASB 61 redefined the reporting entity for the State such that the Department of Mental Health and the Alabama Public School and College Authority, which were previously reported as major discretely presented component units, are now reported as blended component units. Additionally, the following nonmajor component units are now reported as blended component units: State Industrial Development Authority, Alabama Incentives Finance Authority, Alabama Revolving Loan Fund Authority, Twenty-first Century Authority, and Public Historical Sites Improvement Corporation.

Nonmajor Governmental Funds were restated by \$524,223,000 which consists of \$528,240,000 for GASB 61, \$(9,187,000) because a special revenue fund was reclassified as an internal service fund, \$9,213,000 for understated receivables and \$(4,043,000) for understated payables.

On the government-wide financial statements, beginning net position for governmental activities were restated from \$23,207,589,000 to \$21,697,248,000, a decrease of \$1,510,341,000. Included in this restatement are the amounts in the previous paragraph, along with \$(1,517,046,000) for GASB 61. Included in the GASB 61 restatement is \$(2,864,042,000) in long-term debt, and \$66,729,000 in capital assets. The GASB 61 amount also includes \$621,423,000 for loans receivable that was not reported in the Alabama Public School and College Authority last year and \$91,020,000 for deferred revenue not recorded in Mental Health and \$39,584,000 in capital assets for construction in progress not recorded in Mental Health last year, and the \$528,240,000 discussed above in nonmajor governmental funds. Additionally, there are other restatements of \$1,277,000 in governmental capital assets and \$257,000 in governmental long-term debt.

The State Port Authority, a major Proprietary Fund, was restated by \$9,908,000 for an understatement in capital assets. The Alabama Community College System, a major Proprietary Fund, was restated by \$(23,334,000). Included in that was \$(32,390,000) for Athens State University, which legally separated from the College System and became a nonmajor component unit. The remaining \$9,056,000 consists of \$7,636,000 in current assets and \$1,420,000 in liabilities. Nonmajor proprietary funds were restated by \$(9,187,000) because a former special revenue fund was moved to internal service funds.

The University of Alabama, Auburn University, and The University of South Alabama early implemented GASB No. 65 which resulted in prior year restatements to net position. This was debt issuance costs that had been reported as prepaid expenses in prior

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years. The University of Alabama reported a restatement of \$(6,011,000). Auburn University and The University of South Alabama reported restatements of \$(5,292,000) and \$(1,827,000), respectively.

Nonmajor component units were restated by \$465,954,000, which included \$364,371,000 for moving Water Pollution Control Authority to a nonmajor component unit, \$68,611,000 for the GASB 61 change discussed earlier, \$32,390,000 for Athens State University which was legally separated from the Alabama Community College System and became a component unit, and \$3,039,000 for a foundation which is included as a component unit of Athens State. The remaining \$(2,457,000) includes \$1,504,000 for Historical Commission capital assets, \$(2,038,000) for Drinking Water Finance Authority which early implemented GASB 65, \$3,641,000 for Alabama A&M for adjustments to revenues and deferred revenues, \$(5,952,000) for Red Mountain capital assets, and several small amounts in other nonmajor component units.

Pension and Other Employee Benefit Trust Funds was restated from \$31,149,718,000 to \$31,597,056,000, an increase of \$447,338,000. The Alabama Deferred Compensation plan was not reported in the prior fiscal year.

C. Fund Balance/Net Position Deficits**1. Primary Government**

The Education Trust Fund, a major governmental fund, had a deficit in unassigned fund balance of \$93,680,000. The fund owes the Alabama Trust Fund \$422,978,000 that was borrowed from the Rainy Day Trust Account in fiscal year 2009 under the provisions of Amendment 803 of the *Constitution of Alabama of 1901*.

The Medicaid Fund, a major governmental fund, had a deficit unassigned fund balance of \$80,324,000. The deficit is the result of the accrual of claims outstanding at September 30, 2013. The expense is recognized in fiscal year 2013 along with a receivable for the federal share of the claims. The State matching money will not be available until fiscal year 2014 when the claims are paid.

The Alcoholic Beverage Control Board, a major proprietary fund, had a deficit in unrestricted net position of \$31,804,000 with a total net position deficit of \$28,038,000. The deficits are largely due to the accrual of liabilities for compensated absences, salaries payable, other post-employment benefits, and profits currently due to other funds. The Board, by law, operates on a cash basis and is required to distribute 100 percent of its profits as transfers to other funds.

The Flexible Employees' Benefits Board, an Other Employee Benefit Trust Fund, had deficit net position of \$530,000. The Board owes the State Employees' Insurance Board, a major component unit, \$1,000,000. The Board also has liabilities to employees for health care and dependent care reimbursements. The fund does not break even on those employee liabilities until the end of December because benefits are paid out on a calendar year basis.

The Fire College and Personal Standards Commission, a nonmajor enterprise fund, had a deficit in unrestricted net position of \$1,164,000, but a positive balance in total net position of \$14,481,000.

2. Component Units

Water Pollution Authority, a nonmajor component unit, had a deficit in unrestricted net position of \$778,000 but a positive balance in net position of \$389,472,000.

Drinking Water Finance Authority, a nonmajor component unit, had a deficit in unrestricted net position of \$256,000 but a positive balance in overall net position of \$191,247,000.

The Space Science Exhibit Commission, a nonmajor component unit, had a deficit in unrestricted net position of \$7,647,000 and positive overall net position of \$32,596,000. Nearly all of the Commission's assets are either restricted or capital assets.

The Historic Ironworks Commission, an other nonmajor component unit, had a deficit in unrestricted net position of \$36,000 created by the accrual of other post-employment benefits. However, the fund had a positive balance in overall net position of \$2,857,000.

D. Education Trust Fund Budget Stabilization Fund

Act 2011-003 created an Education Trust Fund Budget Stabilization Fund. This fund will generally be used to reduce any future proration in the Education Trust Fund (ETF). After the Education Trust Fund Rainy Day Account within the Alabama Trust Fund has been repaid in full, the ETF Budget Stabilization Fund will receive money when the ETF has revenues in excess of an appropriation cap defined in the Act. The cap is the sum of recurring revenues deposited into the ETF in the last completed fiscal year preceding the calculation year adjusted up or down by: (1) the average annual percentage change in recurring revenues in the 15 completed fiscal years preceding the date on which the calculation is made; (2) if the percentage growth in the ETF for the last completed fiscal year exceeds the 15 year average growth rate, an amount equal to 40 percent of the growth in the last completed year is added to the cap; (3) up to 95 percent of any new revenue enacted for the ETF; and (4) any nonrecurring revenue. The Finance Director and the Legislative Fiscal Officer must certify their computation of the cap at the same time as the certification required by Amendment 803 to the Constitution of Alabama of 1901 (prior to the third day of each Regular Session). The Legislature may appropriate from the ETF Budget Stabilization Fund an amount equal to the difference between the preceding fiscal year's total appropriations from the ETF and the cap. Except as provided in the previous sentence, amounts in the ETF Budget Stabilization Fund may be withdrawn only to prevent proration in the ETF. The Governor must certify to the State Comptroller and notify the Legislature that proration would occur in the ETF before funds may be withdrawn. The ETF Budget Stabilization Fund has a zero balance at the end of fiscal year 2013 because the Legislature appropriated the prior year balance in the fund. Also, the ETF Budget Stabilization Fund didn't receive any money in fiscal year 2013 because revenues in excess of the appropriation cap are being used to repay the ETF Rainy Day Account.

NOTE 3 - ASSETS

A. Cash Deposits

The State Treasurer has statutory authority to deposit treasury cash in any available bank product in any bank or savings association that is a qualified public depository and that has been designated as a state depository according to law.

Bank deposits of both the primary government and its component units are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975*, as amended, requires all State organizations, including component units, to deposit monies in a bank that participates in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires State treasury cash to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975*, Section 41-14A-9(3) authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds. Also, all other public funds not managed by the State Treasurer are required to be deposited in a qualified public depository or placed through a qualified public depository which arranges for the funds to be deposited in federally insured banks or savings associations so that the funds and accrued interest earned on them are fully insured by the Federal Deposit Insurance Corporation and, at the same time, the qualified public depository receives or is credited with deposits from other banks or savings associations in an amount equal to or greater than the amount it arranged to be deposited in other banks and savings associations.

B. Investments

Investments are made in accordance with the statutes creating the various agencies of the State of Alabama. The following describes the investments made by the major investing agencies of the State:

1. Primary Government

State Treasurer - The State Treasurer may legally invest state funds in 1) bonds, notes, or treasury bills of the United States or in obligations of any agency or instrumentality of the United States of America, including but not limited to the Federal Land Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Intermediate Credit Bank, banks for cooperatives, Resolution Trust Corporation, or any of its other agencies, or in any other obligations guaranteed as to principal and interest by the United States, or in money market mutual funds which invest solely in securities otherwise authorized by law; 2) obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself; 3)

For the Fiscal Year Ended September 30, 2013

commercial paper with the highest quality credit rating at the time of purchase and in banker's acceptances; and 4) interest earning bank deposits.

Alabama Trust Fund – Investments are limited to those authorized by law for the Retirement Systems of Alabama. The investments authorized for the Retirement Systems are described later in this section.

Prepaid Affordable College Tuition (PACT) Program - The State is responsible for the management of the investments of the PACT program, although the investments are not property of the State. The funds may be invested in any instrument, obligation, security or property that constitutes legal investments for investment of public funds in the State, including legal investments of the State Treasurer and the Alabama Trust Fund that are deemed most appropriate by the PACT Board.

Alabama College Education Savings (ACES) Plan – The Board of Trustees administers the program. The Board of Trustees has entered into a contract with UBT 529 Fund Services (Union Bank), a division of Union Bank and Trust Company. Union Bank is the Program Manager and the Board of Trustees has delegated day to day administration to the State Treasurer. The investment alternatives are made available through investment portfolios each of which represents a separate, segregated portfolio of investments in mutual funds.

2. Fiduciary Funds

Retirement Systems of Alabama (RSA) - The RSA administers the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). RSA may invest in any types of investments that the Board of Control of each individual system approves. Each Board is limited only by the "Prudent Man Rule" which requires it to use due care, skill, prudence, and diligence under the prevailing circumstances that a prudent man acting in a like capacity and familiar with such matters would use in investing.

Deferred Compensation Plan (RSA-1) – A deferred compensation plan is administered by the Retirement Systems of Alabama (RSA). The plan is named the Public Employees' Individual Retirement Account/Deferred Compensation Plan, and is commonly referred to as RSA-1. By law, RSA-1 investments are made under the same rules, regulations, conditions, and guidelines governing the RSA.

3. Component Units

Alabama Housing Finance Authority - The Authority is authorized to invest in bonds or other obligations issued or guaranteed by the U.S. Government, or any agency thereof, or the State of Alabama. In addition, the Authority may invest in interest-bearing bank and savings and loan association deposits, any obligations in which a State-chartered savings and loan association may invest its funds, any agreement to repurchase any of the foregoing, or any combination thereof. Each of the trust indentures established under the Authority's mortgage revenue bond programs contain further restrictions on the investment of non-expended bond proceeds; however, each trust indenture must be consistent with the Authority's authorizing legislation with respect to the definition of eligible investments. The Authority's program investments consist of Government National Mortgage Association (GNMA) or Federal National Mortgage Association (FNMA) pass-through certificates, all of which are pledged as security for the mortgage revenue bonds.

Other investments include temporary and debt service reserve funds established under the provisions of various trust indentures, and investments of the Authority's general and housing assistance funds.

Investments Made by Colleges and Universities - The colleges and universities invest funds in accordance with the applicable limits set forth in the gift instruments, Board of Trustees guidelines, or other applicable laws. Certain bond indentures require that the bond funds invest all amounts in federal securities or eligible certificates. In accordance with GASB Statement No. 31, most investments are stated at fair value.

The State's investments at September 30, 2013, are as follows:

Investment Types and Fair Value (Amounts in Thousands)				
Investment Types	Governmental Activities	Business-Type Activities	Fiduciary Funds (including Fiduciary Component Units)	Discretely Presented Component Units
U S Treasury Strips	\$ 19,135	\$ -	\$ -	\$ 9,154
U S Government Guaranteed Securities	740,609	13,351	1,514,928	788,887
U S Agency Securities	458,040	7,913	528,362	618,450
State and Local Government Securities	8,549	-	11,917	28,609
Mortgage Backed Securities	443,112	575	856,279	616,247
Commercial Paper	36,491	-	759,617	141,093
Corporate Bonds	423,603	441	2,443,886	509,139
Private Placements	-	-	3,602,862	50,971
Repurchase Agreements	406,794	-	-	602
International Bonds	2,674	-	-	119,513
Bond Mutual Funds	29,245	458	729,463	925,555
Domestic Equities	1,358,193	296	16,651,444	551,004
International Equities	166,160	259	4,454,507	18,086
International Equities Mutual Funds	-	-	-	3,932
Other Mutual Funds	235,912	616	928,536	1,794,388
Real Estate	102,728	1,036	2,922,243	321,974
Commingled Funds	4,893	-	-	107,688
Guaranteed Investment Contracts	42,466	-	245,348	26,020
	<u>\$ 4,478,604</u>	<u>\$ 24,945</u>	<u>\$ 35,649,392</u>	<u>\$ 6,631,312</u>

Reconciliation to the Government-wide Statement of Net Position and Statement of Fiduciary Net Position

Investments Per Investment Note	\$ 4,478,604	\$ 24,945	\$ 35,649,392	\$ 6,631,312
Certificates of Deposit †	27,282	55,493	1,045	36,431
Money Market Accounts - Savings †	79,769	64,188	22,222	232,040
Other Cash Equivalents †	(903,681)	18,530	(63,115)	(73,309)
Investments Classified as Restricted Assets †	(3,096)	-	-	-
Repurchase Agreements ††	(406,794)	-	-	-
Foundations and pooled investments §	-	-	-	(118,156)
Investments per Statements	<u>\$ 3,272,084</u>	<u>\$ 163,156</u>	<u>\$ 35,609,544</u>	<u>\$ 6,708,318</u>

† Investment types not required to be presented in the investment credit note.

†† Short-term repurchase agreements are included as cash equivalents; however these investments are subject to investment risk disclosures.

§ University foundations follow the investment reporting requirements of the FASB and are not subject to GASB disclosure requirements. For this reason some of the investment information is not available. Also, investments of affiliated entities are included in an investment pool. The investment information that is available is being disclosed.

C. Investment Risks

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2013

The ratings of the State's investments as of September 30, 2013 are presented below.

Ratings of Fixed Maturities (Amounts in Thousands)						
Moody's	Standard & Poor's	Governmental Activities	Business-Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Component Units
Aaa		\$ 1,310,456	\$ 10,405	\$ 1,854,389	\$ 939,575	\$ 1,394,120
	AAA	5,037	-	-	249,860	35,765
Aa1		11,494	13	12,071	106,905	13,320
	AA+	4,320	-	-	143	-
Aa2		20,814	36	14,111	10,319	13,830
	AA	1,752	-	-	4,866	152,339
Aa3		26,472	110	55,202	16,985	3,089
	AA-	6,707	-	-	-	-
Aa		-	-	-	647	2,324
A1		34,874	6,004	156,761	65,410	10,643
	A+	28,872	-	-	217	-
A2		37,568	91	153,301	64,861	8,671
	A	8,106	-	-	1,272	224,828
A3		38,833	68	273,658	99,556	6,878
	A-	18,047	-	-	355	-
A		-	-	-	1,479	-
P1		17,206	-	274,069	151,679	107,103
P2		24,394	-	498,986	199,838	102,997
Baa1		49,896	72	351,224	128,672	9,942
	BBB+	8,472	-	-	54	-
Baa2		62,968	69	391,559	132,963	9,220
	BBB	3,993	-	-	1,285	108,507
Baa3		27,167	17	138,591	66,314	5,662
	BBB-	5,830	-	-	-	-
Baa		-	-	-	286	-
Ba		-	64	-	-	-
Ba1		8,008	-	76,874	31,127	2,299
	BB+	2,837	-	-	317	-
Ba2		5,134	-	17,132	8,137	1,094
	BB	110	-	-	-	7,207
Ba3		4,821	-	-	410	16
	BB-	9,107	-	-	-	-
B1		3,177	-	20,705	6,425	144
	B+	29,322	-	-	-	-
B2		1,064	-	-	1,083	-
	B	957	-	-	2,562	4,013
B3		3,820	-	-	785	-
	B-	47	-	-	27	-
B		-	-	-	-	3,528
Caa1		1,290	-	-	564	-
Caa2		1,904	-	8,564	3,125	111
	CCC	915	-	-	197	-
Caa3		4,521	-	-	1,696	-
	CC	135	-	-	-	-
Ca		602	-	-	456	-
	C	-	-	-	-	2,838
C		126	-	-	-	-
	D	2,065	-	-	263	-
U S Govt Guaranteed Securities §		715,765	5,513	12,044	53,123	682,423
Not Rated †		66,606	276	3,579,463	450,120	895,300
		\$ 2,615,611	\$ 22,738	\$ 7,888,704	\$ 2,803,958	\$ 3,808,211

§ U S Govt rated Aaa (Moody's) and AA+ (Standard & Poor's)

† Consists primarily of private placements and bond mutual funds that are not rated.

The investments allowed for Treasury monies are U.S. government or agency securities, repurchase agreements backed by U.S. government or U.S. government agency securities, or mutual funds investing in U.S. government or U.S. government agency securities. The U.S. government and U.S. government agency securities are rated Aaa or AA+. Bond mutual funds may or may not be rated.

As mentioned earlier the investments of the Alabama Trust Fund are limited to those authorized for the Retirement Systems of Alabama. Domestic fixed-maturity investments may consist of rated or non-rated securities. International fixed-maturity investments may consist of securities with a rating of at least A by one of the principal rating agencies at the time of purchase or acquisition, except that up to 2 percent of the fair value of each System's total portfolio may be invested in obligations of sovereign countries with a rating of BBB or BAA at the time of purchase. The Systems may hedge against the possible adverse effects of currency fluctuations on each System's portfolio of international fixed income obligations when it is considered appropriate. Short-term investments may consist of commercial paper rated at least A-2 and/or P-2, repurchase agreements, short-term U.S. securities, and other money market investments.

2. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of those investments. The Treasurer's Office investment guidelines state that the maximum effective maturity of any purchase will be five years. Market accepted average life at time of purchase shall be used in lieu of final maturity for the purpose of maturity acceptability of mortgage-backed securities. Average effective duration should be plus or minus 30 percent of the index duration. The majority of the portfolio is benchmarked against the Barclays Capital 1 - 3 Year Government Index.

The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods.

The investment policy of the Alabama Trust Fund states that the portfolio's average duration is not to exceed 1.5 times that of the benchmark index.

As of September 30, 2013 the State had the following investments and maturities:

Governmental Activities (Amounts in Thousands)					
Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Treasury Strips	\$ -	\$ 19,135	\$ -	\$ -	\$ 19,135
Other U S Government Guaranteed Secur	230,436	444,343	31,917	33,913	740,609
U S Agency Securities	50,132	321,500	18,454	67,954	458,040
State and Local Government Securities	98	604	72	7,775	8,549
Mortgage Backed Securities	3,575	32,333	30,596	376,608	443,112
Commercial Paper	36,491	-	-	-	36,491
Corporate Bonds	10,641	151,267	144,575	117,120	423,603
Repurchase Agreements	406,794	-	-	-	406,794
International Bonds	1,506	999	169	-	2,674
Bond Mutual Funds	26,490	-	2,755	-	29,245
Guaranteed Investment Contracts	42,466	-	-	-	42,466
Commingled Funds	-	-	-	4,893	4,893
Total	\$ 808,629	\$ 970,181	\$ 228,538	\$ 608,263	\$ 2,615,611

For the Fiscal Year Ended September 30, 2013

Business-Type Activities
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Government Guaranteed Securities	\$ 7,260	\$ 5,385	\$ 110	\$ 596	\$ 13,351
U S Agency Securities	1,109	3,953	1,317	1,534	7,913
Mortgage Backed Securities	58	417	100	-	575
Corporate Bonds	28	191	134	88	441
Bond Mutual Funds	458	-	-	-	458
Total	\$ 8,913	\$ 9,946	\$ 1,661	\$ 2,218	\$ 22,738

Retirement Systems of Alabama
(Fiduciary Component Units)
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Government Guaranteed Securities	\$ 2,690	\$ 232,373	\$ 696,718	\$ 44,851	\$ 976,632
U S Agency Securities	15,331	155,124	144,837	19,698	334,990
Mortgage Backed Securities	134	17,594	2,040	552,474	572,242
Commercial Paper	518,983	-	-	-	518,983
Corporate Bonds	35,398	881,233	399,950	346,233	1,662,814
Private Placements	33,528	524,366	87,134	2,923,942	3,568,970
Bond Mutual Funds	254,073	-	-	-	254,073
Total	\$ 860,137	\$ 1,810,690	\$ 1,330,679	\$ 3,887,198	\$ 7,888,704

Other Fiduciary Funds
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Government Guaranteed Securities	\$ 12,700	\$ 179,631	\$ 324,660	\$ 21,305	\$ 538,296
U S Agency Securities	15,324	103,474	65,987	8,587	193,372
State and Local Government Securities	750	2,652	3,175	5,340	11,917
Mortgage Backed Securities	523	15,689	10,118	257,707	284,037
Commercial Paper	240,634	-	-	-	240,634
Corporate Bonds	177,258	339,007	154,239	110,568	781,072
Private Placements	11,177	2,618	-	20,097	33,892
Bond Mutual Funds	110,883	319,057	44,189	1,261	475,390
Guaranteed Investment Contracts	245,348	-	-	-	245,348
Total	\$ 814,597	\$ 962,128	\$ 602,368	\$ 424,865	\$ 2,803,958

Discretely Presented Component Units (excluding University of Alabama)
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Treasury Strips	\$ 50	\$ 2,151	\$ 1,796	\$ 5,157	\$ 9,154
Other U S Government Guaranteed Securities	44,285	203,145	104,589	15,181	367,200
U S Agency Securities	20,547	303,324	232,088	62,491	618,450
State and Local Government Securities	3,210	6,938	2,714	15,530	28,392
Mortgage Backed Securities	3,518	7,552	25,574	409,242	445,886
Commercial Paper	140,993	-	-	-	140,993
Corporate Bonds	14,294	26,037	13,286	7,919	61,536
Private Placements	522	-	-	-	522
Repurchase Agreements	602	-	-	-	602
Guaranteed Investment Contracts	-	5,296	4,465	16,259	26,020
International Bonds	2	-	-	-	2
Bond Mutual Funds	313,426	10,884	49,027	2,591	375,928
Total	\$ 541,449	\$ 565,327	\$ 433,539	\$ 534,370	\$ 2,074,685

For the Fiscal Year Ended September 30, 2013

The University of Alabama discloses the interest rate risk for the System Pool using the effective duration method. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time. The University does not have a specific policy relative to interest rate risk.

University of Alabama System Pool
(Amounts in Thousands)

Investment Type	Fair Value	Effective Duration
Endowment Fund:		
U S Government Guaranteed Securities	\$ 21,851	5.6
Corporate Bonds	59,987	4.2
Commingled Bond Funds	93,230	1.5
Prime Fund:		
U S Government Guaranteed Securities	11,214	5.4
Corporate Bonds	30,751	4.2
Commingled Bond Funds	116,645	2.3
Intermediate Fund:		
U S Government Guaranteed Securities	317,146	1.8
Mortgage Backed Securities	120,284	0.7
Collateralized Mortgage Obligations	50,078	1.0
Corporate Bonds	343,033	1.5
Commingled Bond Funds	78,977	2.3
Total	\$ 1,243,196	

3. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy of the Alabama Trust Fund states that the aggregate market value of international equities is limited to 29 percent of the aggregate market value of the total portfolio with a target of 24 percent of the total portfolio. The exposure to emerging market securities shall be limited to 20 percent of the market value of the international portfolio. Not more than 5 percent of the total stock portfolio may be invested in the common stock of any one corporation at the time of purchase and no more than 7 percent in any one corporation at market. Not more than 5 percent of the outstanding shares of any one company may be held by the portfolio.

In order for an international security to be eligible for purchase by the Retirement Systems of Alabama (RSA), the issuing company must be incorporated in a country whose debt securities are eligible for purchase as discussed earlier, and the fair value of the aggregate outstanding equity of the issuing company must be at least \$100 million.

The State's exposure to foreign currency risk at September 30, 2013 was as follows:

Deposits and Investments Exposed to Foreign Currency Risk
(Amounts in Thousands)

	Governmental-Type Activities			Business-Type Activities	RSA (Fiduciary Component Units)	Other Fiduciary Funds	Discretely Presented Component Units
	Cash	International Equities	International Bond	International Equities	International Equities	International Equities	International Equities
Australian Dollar	\$ 53	\$ 491	\$ -	\$ -	\$ 309,318	\$ 10,981	\$ 4
Bermudian Dollar	-	-	-	-	-	-	26
Brazilian Real	-	430	-	-	-	127	51
British Pound Sterling	138	88,071	-	47	838,048	32,940	466
Canadian Dollar	-	7,675	-	-	-	-	161
Chinese Yuan	-	4	-	-	-	948	40
Danish Krone	-	-	-	-	45,427	2,372	14
Euro	391	11,950	-	46	1,128,297	45,657	285
Hong Kong Dollar	73	6,921	-	-	115,539	4,731	24
Indian Rupee	-	3	-	16	-	548	6
Israeli New Shekel	-	-	-	-	18,239	555	5
Japanese Yen	-	16,689	-	38	830,339	32,358	139
Mexican Peso	114	-	6,379	-	-	-	86
New Zealand Dollar	-	-	-	-	3,225	98	4
Norwegian Krone	-	-	-	-	32,027	975	1
Other	-	-	-	112	445,353	-	3,100
Russian Rouble	-	2	-	-	-	-	55
Singapore Dollar	-	3	-	-	59,760	1,816	-
South African Rand	-	3	-	-	-	-	-
South Korean Won	-	212	-	-	-	711	7
Swedish Krona	-	5	-	-	120,121	4,665	32
Swiss Franc	-	54	-	-	354,466	14,865	80
Taiwan New Dollar	-	5	-	-	-	-	-
Turkish Lira	-	3	-	-	-	-	30
Totals	\$ 769	\$ 132,521	\$ 6,379	\$ 259	\$ 4,300,159	\$ 154,347	\$ 4,616

The disclosure does not include some of the International Securities denominated in U.S. dollars.

4. Custodial Credit Risk

For an investment, custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails.

State Treasurer – The State Treasurer's custodian, Regions Bank, requires that the securities be held in registered form in the name of its nominee. Regions has established one or more accounts on behalf of the State Treasurer in the name of the State Treasurer.

Alabama Trust Fund (ATF) – The ATF's custodian, Bank of New York Mellon (BNYM), safe keeps a portion of the investment portfolio for the ATF. The ATF's custodial credit risk policy authorizes BNYM to hold securities in registered form in the name of its nominee. The policy requires BNYM to establish and maintain one or more securities accounts (book entry system) in which BNYM will hold the securities. These accounts are in the name of the ATF.

For the Fiscal Year Ended September 30, 2013

Retirement Systems of Alabama (RSA) – The RSA’s custodial credit risk policy requires the custodial agent to hold or direct its agents or sub-custodians to hold, for the account of the RSA all securities and other non-cash property other than securities in the Federal Reserve book-entry system, in a clearing agency which acts as a securities depository, or in another book-entry system. The RSA’s safekeeping agent holds all investments of the RSA in the RSA’s name with the exception of securities purchased with securities lending cash collateral.

**Investments Exposed to Custodial Credit Risk
(Amounts in Thousands)**

	Governmental Type Activities	Fiduciary Funds Other Than RSA	Discretely Presented Component Units
Other U S Government Guaranteed Securities	\$ 11,840	\$ -	\$ 614
U S Agency Securities	62,052	28,565	86
State and Local Government Securities	-	10,715	-
Mortgage Backed Securities	6,831	2,535	323
Corporate Bonds	1,380	1,450	959
Repurchase Agreements	392,384	-	-
Domestic Equities	1,958	-	6,668
International Equities	-	-	24
Other Mutual Funds	2,429	-	32,892
Total	\$ 478,874	\$ 43,265	\$ 41,566

5. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government’s investments with a single issuer. The State of Alabama has investments in U.S. Government obligations which are disclosed in the tables in this note. Standard & Poor’s downgraded the rating of the U.S. Government to AA+, however the Moody’s rating is still Aaa.

The investment policy of the Alabama Trust Fund states that the investment portfolio shall be diversified by both asset class and within asset classes, by economic sector and industry. For equity investments, the aggregate investment in equity securities of any one issuing corporation shall not exceed 1 percent of the outstanding capital of such corporation. For fixed income investments, the portfolio is to be diversified so that no more than 15 percent is invested in one industry (does not apply to U.S. government and agency securities), and no more than 5 percent of the total fixed income portfolio may be invested in securities of any one corporation. As of September 30, 2013, there were no investments that exceeded the 5 percent of the total fixed income portfolio limit in any one corporation.

The investment policies of the Retirement Systems of Alabama limit the aggregate amount that can be invested in each class of investments. Domestic fixed income, international fixed income, domestic equity, international equity, and short-term investments are limited to 50%, 10%, 65%, 25%, and 20%, respectively, of the fair value of each System’s aggregate portfolio. Also, each System may not purchase or hold more than 5% of any class of the outstanding stock of a foreign company. Real estate and alternative investments are limited to 15% and 10%, respectively, of the book value of each System’s portfolio. As of September 30, 2013, the Teachers’ Retirement System (TRS) and Employees’ Retirement System (ERS) owned debt and equity securities of Raycom Media Corporation which represented approximately 8.10% and 8.91%, respectively, of the TRS and the ERS investments.

The Public Education Employees’ Health Insurance Board (PEEHIB) owned securities in Exelon Energy Delivery Co. LLC, Pentair Ltd., AGC America Inc., FMC Corporation, Enbridge Inc., Valspar Corporation, and Eni Spa that constituted 12.52%, 12.15%, 12.15%, 8.75%, 6.08%, 6.07%, and 6.07%, respectively, of the total fair value of investments. PEEHIB’s policies regarding concentration of credit risk are the same as RSA’s above. The State Employees’ Insurance Board (SEIB) owned debt securities in SPDR S&P 500 ETF Trust, iShares MSCI EAFE Index, AGC Capital Inc., SPDR S&P 400 ETF, Vanguard Total Bond Index, and Vanguard 500 Index Signal Shares that comprised 33.85%, 11.49%, 9.82%, 9.09%, 6.29%, and 5.37%, respectively, of investment holdings. SEIB has no policy for concentration of credit risk.

D. Securities Lending

The Teachers' Retirement System (TRS), the Employees' Retirement System (ERS), and the Judicial Retirement Fund (JRF) are authorized by the Boards of Control to participate in a securities lending program. The Alabama Trust Fund (ATF) investment managers are authorized by the Board of Trustees to engage in securities lending under guidelines established by the ATF Board of Trustees. The Retirement Systems of Alabama's (RSA) custodian, State Street Bank and Trust Company (State Street), administers the program for the TRS, ERS, JRF, a portion of the program for the ATF, and some other funds of the State. Certain securities are loaned to borrowers approved by the RSA for collateral that will be returned for the same type of securities. Approved borrowers of securities provide acceptable collateral in the form of cash (U.S. and foreign currency), any other assets permissible under Rule 15c3-3 under the Exchange Act of 1934, U.S. and non U.S. equities and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the lender or borrower. The initial collateral received shall have (depending on the nature of the loaned securities and the collateral received), a value of 102% or 105% of the fair value of the loaned securities, or such other value, but not less than 102% of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and shall receive and deliver collateral in order to maintain the value of the collateral at no less than 100% of the fair value of the loaned securities. The lender cannot pledge or sell collateral securities received unless the borrower defaults.

Cash collateral for TRS, ERS, and JRF is invested in the State Street Quality D Short-term Investments Fund (QDF). Cash collateral administered by State Street for ATF is invested in the State Street Global Securities Lending Trust (GSLT). Cash collateral investments are matured as needed to fulfill loan obligations. As of September 30, 2013, the average term of the loans secured by QDF was 24, 17, and 20 days, respectively for the TRS, ERS, and JRF. As of September 30, 2013, the average term of the loans secured by GSLT was 1 day for the ATF. Cash collateral investments are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. The following describes the QDF's and the GSLT's guidelines. The Investment Manager (State Street Bank) shall maintain the dollar-weighted average maturity of QDF and GSLT in a manner that the Investment Manager believes is appropriate to the objective of each; provided, that (i) in no event shall any eligible security be acquired with a remaining legal final maturity (i.e., the date on which principal must be repaid) of greater than 18 months, (ii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity of the QDF and GSLT not to exceed 75 calendar days and (iii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity to final of the QDF and GSLT not to exceed 180 calendar days. At the time of purchase (i) all eligible securities with maturities of 13 months or less shall (a) be rated at least A1, P1 or F1 by at least any two of the following nationally recognized statistical rating organizations: Standard & Poor's Corp. ("S&P"), Moody's Investor Services, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), or (b) be determined by the Investment Manager to be of comparable quality and (ii) all eligible securities with maturities in excess of 13 months shall (a) be rated at least A-, A3 or A- by at least any two of S&P, Moody's or Fitch, or (b) be determined by the Investment Manager to be of comparable quality. The QDF and the GSLT may invest up to 10% of its assets at time of purchase in commingled vehicles managed by State Street Global Advisors or its affiliates that conform to the Investment Policy Guidelines. The QDF and the GSLT both have duration pools. The duration pools include all asset backed securities (regardless of maturity) and securities of any type with a remaining maturity of 91 days or greater. Each investor owns a specified percentage interest in the duration pool which is redeemable only in kind, not in cash. The duration pools will not make additional investments.

The Bank of New York Mellon (BNYM) administers a portion of the securities lending program for the ATF. Certain securities from ATF are loaned to borrowers approved by the ATF Board of Trustees. Approved borrowers of securities provide acceptable cash collateral in the form of Federal funds or New York Clearing House funds as applicable for a particular loan. All security loans are open loans and can be terminated on demand by the ATF, BNYM, or the borrower. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars, cash collateral in the amount of 102% of the market value of the loaned securities or (ii) in the case of loaned securities which are not denominated in United States Dollars, cash collateral in the amount of 105% of the market value of the loaned securities. Pursuant to the terms of the applicable securities loan agreement, BNYM shall, in accordance with BNYM's reasonable and customary practices, mark loaned securities to their market value each business day based upon the market value of the loaned securities as of the close of business the preceding business day, employing the most recently available pricing information, and receive and deliver collateral in order to maintain the amount of cash collateral at no less than the collateral requirement. The ATF cannot pledge or sell collateral securities received unless the borrower defaults. As of September 30, 2013, the average term of the loans was 94 days. Cash collateral investments are matured as needed to fulfill loan obligations. All approved investments shall be for the account and risk of ATF. To the extent

For the Fiscal Year Ended September 30, 2013

any loss arising out of approved investments results in a deficiency in the amount of collateral available for return to a borrower, ATF agrees to pay BNYM on demand cash in an amount equal to such deficiency.

The following describes the manner in which BNYM is authorized to invest and reinvest cash collateral for the ATF.

- Securities issued or fully guaranteed by the United States Government and any agency, instrumentality, or establishment of the United States Government ("Government Securities").
- High-grade commercial paper, notes, bonds, and other debt obligations including promissory notes, funding agreements, and guaranteed investment contracts, whether or not registered under the Securities Act of 1933, as amended. Such obligations may have fixed, floating, or variable rate interest payment provisions.
- Asset-backed securities which carry the highest credit rating by S&P or Moody's.
- Certificates of deposit, time deposits and other bank obligations of U.S. banks, their branches and subsidiaries.
- Repurchase and reverse repurchase agreements collateralized by approved investments.
- Securities, units, shares and other participations in money market funds, unregistered short-term investment funds, pools or trusts.
- Government securities have no maturity limit. Fixed rate instruments shall have a maturity of no greater than 13 months. Floating rate instruments rated "A" or "AA" shall have maturities no greater than three years with resets no less frequent than three months. Floating rate instruments rated "AAA" shall have maturities no greater than five years with resets no less frequent than three months.

Investments purchased with cash collateral are held by the custodial agent, but not in the name of the lender. Securities pledged as collateral are held by the custodial agent, but not in the name of the lender. Letters of credit pledged as collateral are issued by the borrower's bank and are irrevocable. The fair value of the securities on loan and the fair value of the collateral pledged by the borrowers are demonstrated in the securities lending table. Since the amounts owed by the State and its component units exceeded the amounts the borrowers owed, there was no credit risk exposure as of September 30, 2013. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

Securities Lending - Investments Lent and Collateral Received
(Fair Value in Thousands)

Type of Investment Lent	Governmental- Type Activities	Business- Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
For Cash Collateral					
Domestic Fixed Maturities	\$ 103,272	\$ 437	\$ 294,478	\$ 151,507	\$ 9,378
Domestic Equity	90,470	-	1,109,465	107,148	162
International Equity	115	-	241,206	9,285	-
Total Lent for Cash Collateral	193,857	437	1,645,149	267,940	9,540
For Non-cash Collateral					
Domestic Fixed Maturities	66,094	977	691,448	271,958	10,921
Domestic Equity	6,154	-	1,013,673	37,031	6,076
International Equity	-	-	385,711	15,448	-
Total Lent for Non-Cash Collateral	72,248	977	2,090,832	324,437	16,997
Total Securities Lent	\$ 266,105	\$ 1,414	\$ 3,735,981	\$ 592,377	\$ 26,537
Type of Collateral Received					
Cash Collateral					
Cash Collateral - Invested in					
State Street Quality D Fund	\$ 0	\$ 0	\$ 1,691,502	\$ 185,275	\$ 0
State Street Global Securities Lending Trust	45,064	447	975	88,807	9,733
BNYM Investments	153,803	-	-	-	-
Total Cash Collateral	198,867	447	1,692,477	274,082	9,733
Non-Cash Collateral					
For Lent Domestic Fixed Maturities					
Securities Collateral - US Dollars	69,558	1,028	615,781	252,416	17,569
For Lent Domestic Equity Securities					
Securities Collateral					
Canadian Dollars	-	-	19,108	-	-
US Dollars	6,753	-	1,099,985	46,243	452
For Lent International Equity Securities					
Securities Collateral					
Canadian Dollars	-	-	3,520	-	-
Euro	-	-	113,679	753	-
British Pound Sterling	-	-	208,386	30,944	-
US Dollar	-	-	233,572	22,251	-
Total Non-Cash Collateral	76,311	1,028	2,294,031	352,607	18,021
Total Collateral Received	\$ 275,178	\$ 1,475	\$ 3,986,508	\$ 626,689	\$ 27,754

For the Fiscal Year Ended September 30, 2013

E. Mortgage-Backed Securities

The State of Alabama invests in mortgage-backed securities to improve yield and adjust the duration of the State's fixed income portfolio. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligors tend to prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of the mortgage-backed securities.

The Alabama Trust Fund (ATF) invests in TBA (to be announced) purchase commitments, pursuant to which it agrees to purchase mortgage-backed securities. The TBA market developed in response to the demands of market participants for more liquidity in trading mortgage-backed securities. The TBA market is essentially a forward or delayed delivery market. The lender, or other market participant, will enter into a forward contract to sell mortgage-backed securities in the TBA market, promising to deliver mortgage-backed securities on the settlement date sometime in the future. At September 30, 2013, the ATF had investments in TBA mortgage-backed securities in the amount of \$21,303,000. Included in investment purchases payable on the Statement of Net Position is a liability related to the cost of acquiring these securities. Generally, these securities are closed with a gain or loss prior to settlement. However, the ATF would be obligated for those amounts should the securities be delivered.

F. Capital Assets

Historical costs for infrastructure assets are included in this report. The State elected to include the historical costs of all infrastructure assets, not just assets capitalized since 1980, as required by GASB Statement No. 34. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is completed and filed with the appropriate entities. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred but the project documentation is not complete. For Business-Type activities, decreases in construction in progress are large relative to increases in buildings because Port Authority constructs some equipment assets.

GASB 61, *The Financial Reporting Entity: Omnibus, an amendment to GASB No. 14 and No. 34*, was implemented in the current fiscal year. Consequently, the Department of Mental Health, Public School and College Authority, Incentives Finance, and 21st Century Authority changed from discretely presented component units to blended component units. As a result, the beginning capital asset balances for governmental activities was restated by \$66,729,000. As of September 30, 2013, the capital assets for the Primary Government and the Component Units are presented in the following tables:

GOVERNMENTAL-TYPE ACTIVITIES

(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 300,966	\$ 28,332	\$ 268	\$ 329,030
Historical Exhibits	4,006	31	-	4,037
Construction in progress	298,067	28,044	88,637	237,474
Construction in progress - Infrastructure	4,969,348	372,067	141,158	5,200,257
Infrastructure	13,292,571	141,158	-	13,433,729
Intangible Assets under Development	-	5,963	-	5,963
Total capital assets not being depreciated	18,864,958	575,595	230,063	19,210,490
Capital assets being depreciated:				
Buildings	1,588,038	86,933	1,484	1,673,487
Equipment	683,290	68,204	54,387	697,107
Software and Other Intangible Assets	41,024	8,723	-	49,747
Total capital assets being depreciated	2,312,352	163,860	55,871	2,420,341
Less accumulated depreciation:				
Buildings	700,391	37,766	1,011	737,146
Equipment	429,513	48,106	36,709	440,910
Software and Other Intangible Assets	7,353	5,180	-	12,533
Total accumulated depreciation	1,137,257	91,052	37,720	1,190,589
Total capital assets being depreciated, net	1,175,095	72,808	18,151	1,229,752
Governmental-type activities capital assets, net	\$ 20,040,053	\$ 648,403	\$ 248,214	\$ 20,440,242
Depreciation Expense for the current year is charged as follows:				
Economic Development and Regulation	\$ 2,405			
Social Services	5,497			
Education and Cultural Resources	4,788			
Natural Resources and Recreation	7,984			
Health	9,325			
General Government	10,692			
Protection of Persons and Property	24,743			
Transportation	25,618			
Total Depreciation Expense	\$ 91,052			

For the Fiscal Year Ended September 30, 2013

The capital assets for business-type activities are:

BUSINESS-TYPE ACTIVITIES
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 83,592	\$ 6,986	\$ 16,294	\$ 74,284
Historical Exhibits	2,350	-	-	2,350
Construction in progress	89,867	76,298	76,224	89,941
Intangible Assets under Development	-	-	-	-
Inexhaustible Intangible Assets	10	-	-	10
Total capital assets not being depreciated	175,819	83,284	92,518	166,585
Capital assets being depreciated:				
Buildings	1,627,052	69,925	1,101	1,695,876
Equipment	563,073	41,119	13,458	590,734
Software and Other Intangible Assets	12,855	2,924	-	15,779
Total capital assets being depreciated	2,202,980	113,968	14,559	2,302,389
Less accumulated depreciation				
Buildings	593,398	43,247	2,233	634,412
Equipment	310,245	24,868	10,199	324,914
Software and Other Intangible Assets	3,410	1,261	-	4,671
Total accumulated depreciation	907,053	69,376	12,432	963,997
Total capital assets being depreciated, net	1,295,927	44,592	2,127	1,338,392
Business-type activities capital assets, net	\$ 1,471,746	\$ 127,876	\$ 94,645	\$ 1,504,977
Depreciation Expense for the current year is charged as follows:				
State Port Authority	\$ 27,289			
Alabama Community College System	40,302			
Alcoholic Beverage Control Board	1,063			
Other Nonmajor Enterprise Funds	722			
Total Depreciation Expense	\$ 69,376			

The capital assets for component units are:

COMPONENT UNITS (Amounts in Thousands)				
	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 220,090	\$ 82,387	\$ 3,518	\$ 298,959
Historical Exhibits	112,593	2,904	4	115,493
Construction in progress	634,466	574,739	723,168	486,037
Total capital assets not being depreciated	967,149	660,030	726,690	900,489
Capital assets being depreciated:				
Buildings	7,329,118	861,738	63,536	8,127,320
Equipment	2,075,752	145,537	51,175	2,170,114
Software and Other Intangibles	119,572	2,455	-	122,027
Total capital assets being depreciated	9,524,442	1,009,730	114,711	10,419,461
Less accumulated depreciation				
Buildings	2,594,112	212,211	31,294	2,775,029
Equipment	1,611,232	100,582	44,563	1,667,251
Software and Other Intangible Assets	53,707	7,217	-	60,924
Total accumulated depreciation	4,259,051	320,010	75,857	4,503,204
Total capital assets being depreciated, net	5,265,391	689,720	38,854	5,916,257
Component Units capital assets, net	\$ 6,232,540	\$ 1,349,750	\$ 765,544	\$ 6,816,746
Depreciation Expense for the current year is charged as follows:				
University of Alabama	169,079			
Auburn University	66,616			
University of South Alabama	32,020			
State Employee Insurance Board	286			
Other Nonmajor Component Units	52,009			
Total Depreciation Expense	\$ 320,010			

G. Investment Derivatives

Alabama State Port Authority - In December 2002, the Alabama State Port Authority entered into a swaption contract with an investment company in order to monetize potential debt service savings on the Authority's callable 1996 Series bond. The swaption gave the counterparty the option to enter into a variable-to-fixed interest rate swap at a specified future date. The counterparty exercised its option on July 18, 2006 and the interest rate swap commenced on October 1, 2006, with the Authority paying a fixed interest rate (5.38%) and the Authority receiving a variable interest rate (67% of the one-month LIBOR). The Authority may be exposed to various risks such as credit risk and interest rate risk through the interest rate swap. As the interest rate swap is a liability at September 30, 2013 and 2012, the impact of credit risk is minimized. The swap agreement is based on an original notional amount of \$60,455,000, valued at \$59,350,000 at September 30, 2013, and expires on October 1, 2021. As of

For the Fiscal Year Ended September 30, 2013

September 30, 2013, the interest rate swap had a negative fair value of approximately \$10,513,000 and is included in the Statement of Net Position in Noncurrent Liabilities: Due in More Than One Year as Other Long-Term Liabilities. The \$3.9 million increase in fair value is included in investment income in the Statement of Revenues, Expenses, and Changes in Net Position and is included in Charges for Services in the Statement of Activities. In accordance with the swap agreement, the Authority posted collateral of approximately \$7.6 million at September 30, 2013 due to the negative position of the interest rate swap. The interest rate swap value is calculated using an industry accepted option pricing model that uses market interest rates and volatility assumptions on the valuation date. The interest rate and volatility data is used to calculate the present value of the potential future cash flows of the swap.

University of South Alabama - In January 2008, the University of South Alabama entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds with a counterparty. This transaction was effected through the sale of two swaptions by the University to the counterparty. The transactions resulted in an up-front payment to the University totaling \$9,328,000, which was recorded as a liability, in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds in 2014 and 2016, respectively. The objective of this transaction is to realize debt service savings currently from future debt refunding and create an economic benefit to the University. If the counterparty exercises its options in 2014 and 2016, the University would, at the counterparty's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the notional amount, currently \$41,125,000 and \$100,000,000 for the 2004 bonds and 2006 bonds, respectively, of the underlying swap contract. Simultaneously, the University would call outstanding 2004 and 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contract, the University would pay a fixed rate of 4.9753% on the 2004 bonds and 5.0% on the 2006 bonds to the counterparty and would receive payments based on 68% of the one-month LIBOR index. Alternatively, although it is not anticipated that this option would be to the University's advantage, the University could, at its option, cash settle the swap and retain its right to refund the 2004 and 2006 bonds. If the interest rate environment is such that the counterparty chooses to not exercise its option, the swaptions would be canceled and the University would have no further obligation under this agreement. A swaption is considered a hybrid instrument and as such the payment by the counterparty to the University must be bifurcated into two components, a borrowing component and an embedded derivative component, and each component treated separately. The embedded derivative value of the swaptions represents the fair value resulting from the fact that the fixed rate stated in the swaptions is greater than the at-the-market rate. The initial value of the borrowing is the difference between the upfront payment and the fair value of the embedded derivative and represents the time value to the counterparty for holding the option, or the probability weighted, discounted values of a range of future possible outcomes. The values of the embedded derivatives at the date of execution of this transaction were \$918,000 for 2004 bonds and \$3,343,000 for 2006 bonds. The values of the borrowings at the date of execution were \$1,070,000 for the 2004 bonds and \$3,997,000 for the 2006 bonds. The September 30, 2013 values of the borrowings are included in the Statement of Net Position in Noncurrent Liabilities and included in Capital leases/Notes/Mortgages in the table of Changes in Noncurrent Liabilities in Note 4.E.9. Interest is being accreted on, and added to, the borrowing through the expiration date of the option. At September 30, 2013, \$400,000 was accreted and is included in Expenses in the Statement of Activities. At September 30, 2013, the negative fair values of the derivatives are approximately \$(13,333,000) and are included in Noncurrent Liabilities and included in Other Long-term Liabilities in the table of Changes in Noncurrent Liabilities in Note 4.E.9. For the year ended September 30, 2013, the \$10,276,000 change in the fair value of the derivatives is included in unrestricted investment earnings in the Statement of Activities.

Fair Value. At September 30, 2013, the embedded derivatives had fair values of \$(13,333,000). The fair values of the embedded derivatives were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the instruments, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

Interest Rate Risk. Interest rate risk, as a result of rising short-term interest rates causing higher interest rate payments, is effectively hedged by the University's fixed rate bonds. If the counterparty exercises its options, the underlying swaps are expected to effectively hedge the potentially higher payments on VRDNs as well. The University is also subject to interest rate risk, as a result of changes in long term interest rates, which may cause the value of fixed rate bonds or interest rate derivatives to change. If long term interest rates fall subsequent to the execution of this transaction, the value of the swaptions will change, with negative consequences for the University.

Market Access Risk. This transaction assumes that VRDNs will be issued as a replacement of the 2004 and 2006 bonds. If the University is unable to issue variable rate bonds after the counterparty exercises its right under the swaptions, the University would

still be required to begin making periodic payments on the swaps, even though there are no related bonds. Alternatively, the University could choose to liquidate the swaps, which may create a substantial cash outlay.

Basis Risk. If the counterparty exercises its option, there is a risk that the floating payments received under the swaps will not fully offset the variable rate payments due on the assumed VRDNs.

Credit Risk. Although the underlying swap exposes the University to credit risk should the swap be executed, the swaption itself does not expose the University to credit risk. If the option is exercised on one or both issues, the University would begin to make payments on the appropriate notional amount of the underlying swap contract. In that situation, if the fair value of the swap is positive, the University would be exposed to credit risk on the swap in the amount of its fair value. As of September 30, 2013, the swap counterparty was rated Aa3 by Moody's Investors Services and AA- by Standard and Poors Rating Services.

Termination Risk. The University may be required to terminate the swaptions or swaps under certain circumstances, such as credit downgrades or other events specified in the contracts. In the event that a position needs to be terminated, the University may owe a substantial amount of money to terminate the contracts. At September 30, 2013, no events of termination have occurred.

The Retirement Systems of Alabama (RSA) - The RSA enters into call and put options. The RSA uses these derivative instruments to make an investment, control risk with certain investment positions, or as a yield enhancement strategy. During the fiscal year, these investment derivative instruments were used exclusively within the RSA's domestic and international equity portfolios and are presented in the financial statements in their respective equity classifications. These derivative instruments are either listed options or executed in the over-the-counter (OTC) market using only credit worthy counterparties. The fair value of the investment derivatives is based on market prices. Investment risks related to investment derivatives have been considered and included in the respective investment risks notes above in Note 3.C.

The following table presents the investment derivative instruments outstanding as of September 30, 2013 (in thousands), as reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position:

Investment Derivative Instruments (Amounts in thousands)				
	Changes in Fair Value §		Fair Value	
	Amount	Classification	Amount	Notional
TRS				
Domestic Options Written	\$ (40)	Corporate Stocks	\$ -	\$ -
International Options Written	(184)	International Stocks	(449)	(50,259)
Total Options Written	<u>\$ (224)</u>	Totals	<u>\$ (449)</u>	<u>\$ (50,259)</u>
ERS				
Domestic Options Written	\$ (21)	Corporate Stocks	\$ -	\$ -
International Options Written	(88)	International Stocks	(215)	(24,004)
Total Options Written	<u>\$ (109)</u>	Totals	<u>\$ (215)</u>	<u>\$ (24,004)</u>
JRF				
International Options Written	<u>\$ (3)</u>	International Stocks	<u>\$ (7)</u>	<u>\$ (757)</u>
Total Options Written	<u>\$ (3)</u>	Totals	<u>\$ (7)</u>	<u>\$ (757)</u>

§ the changes in fair value are included in Net Increase (Decrease) in Fair Value of Investments in the Statement of Changes in Fiduciary Net Position

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Alabama Trust Fund (ATF) - Derivatives can be used by the ATF's investment managers to manage cash positions, gain broad stock or bond market exposure and to manage risks with certain investment positions. The ATF Investment Policy allows derivative instruments to be used provided that the collateral is held in highly liquid securities and that they do not create the effect of leverage in the portfolio.

GASB Statement No. 53 requires that the fair value of the financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either an investment derivative or a hedge derivative. All of the ATF's derivative exposures as of September 30, 2013, are categorized as investment derivatives and therefore the hedge accounting provisions of GASB Statement No. 53 and No. 64 are not applicable.

All derivative instruments are presented in the Statement of Net Position as Investments and are reported at fair value. ATF's custodian, Bank of New York Mellon (BNYM), uses market prices when available. BNYM used two vendors to value derivatives when market values are not available. The two vendors used by BNYM are *Markit*, and *SuperDerivatives*. Both vendors consider their valuation process to be proprietary and not available for disclosure. Investment risks related to investment derivatives have been considered and included in the respective investment risks notes above in Note 3.C. In the note, futures and credit default swaps are included in derivatives, and total return swaps and interest rate swaps are included in corporate bonds.

The following table presents the derivative instruments outstanding as of September 30, 2013 for ATF:

Investment Derivative Instruments (Amounts in thousands)			
	Changes in Fair Value §	Fair Value as of September 30, 2013	
	Amount	Amount	Notional
Credit Default Swaps	\$ 193	\$ 164	\$ 84
Total Swaps	<u>\$ 193</u>	<u>\$ 164</u>	<u>\$ 84</u>
Futures	124	144	14,932
Total Futures	<u>\$ 124</u>	<u>\$ 144</u>	<u>\$ 14,932</u>
Total Derivatives	<u>\$ 317</u>	<u>\$ 308</u>	<u>\$ 15,016</u>

§ Included in Unrestricted Investment Earnings in the Statement of Activities and Investment Income in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

GASB Statement No. 53 requires the disclosure of the maximum amount of loss due to credit risk, based on the fair value of the instrument at the end of the fiscal year. The maximum amount of loss associated with all derivatives held by the ATF is \$369,000. GASB Statement No. 53 also requires additional interest rate risk disclosures for investment derivatives that are highly sensitive to interest rate fluctuations.

NOTE 4 - LIABILITIES

A. Future Commitments

1. Construction Projects

a. Primary Government

At September 30, 2013, the Department of Transportation had construction and maintenance contracts of \$2,799,503,000. The amount already performed was \$2,285,692,000, leaving an outstanding balance of \$513,811,000. The funding sources for this amount are 68 percent federal funds and 32 percent State and local funds.

The State Port Authority has contracts for several projects with estimated costs to complete of approximately \$6.2 million.

b. Component Units

The University of Alabama at Birmingham had construction and renovation commitments remaining at September 30, 2013 of approximately \$191.8 million, which is expected to be financed from private gifts, grants, bond proceeds, and University of Alabama at Birmingham reserves.

Auburn University had construction and renovation contracts for various facilities that are estimated to cost approximately \$427.7 million. At September 30, 2013, the estimated remaining cost to complete the projects was approximately \$69.9 million which will be funded from University funds and bond proceeds.

The University of Alabama at Tuscaloosa had construction and renovation contract commitments for several facilities at September 30, 2013. The estimated remaining costs to complete the construction and renovation was approximately \$113.8 million which is expected to be financed from private gifts, grants, bond proceeds and University funds.

Jacksonville State University, a nonmajor component unit, had commitments for construction projects of \$2 million at September 30, 2013.

The University of North Alabama, a nonmajor component unit, had commitments for construction of capital projects of \$50.2 million at September 30, 2013.

2. Operating Leases

The State and its component units have entered into various lease agreements for real property. These leases do not represent material commitments by the State, therefore disclosure of minimum future lease payments is not provided.

3. Economic Development

The State and its component units have made a variety of economic development grant commitments to the private sector to finance the cost of industries locating and expanding in the State, as well as the costs of training employees.

a. Primary Government

The State has committed to funding economic development grants totaling \$467,106,000 as of September 30, 2013. It is expected that in fiscal year 2014, \$45,955,000 of the commitments will be paid from appropriations, \$10,740,000 from prior year carry forward appropriations, \$82,660,000 will be paid from existing general obligation bond proceeds restricted for that purpose, and \$79,710,000 will be paid from existing revenue bond proceeds. The remaining \$248,041,000 is expected to be paid in fiscal year 2015 or later.

b. State Entity

The State as a whole has an additional \$51,975,000 in economic development grant commitments to meet for which the funding source has not yet been decided. Therefore, they are not included above as either primary government or component unit. Of these grant commitments, all are expected to be paid in fiscal year 2015 or later.

4. Encumbrances

Encumbrances represent commitments related to unperformed contracts and purchase orders for goods and services. Encumbrances are reported within governmental funds as restricted, committed, or assigned fund balance. At September 30, 2013,

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there were encumbrances in the Public Road and Bridge Fund totaling \$74,137,000, the Medicaid Fund \$1,951,000, the Public Welfare Trust Fund \$4,453,000, and nonmajor governmental funds \$35,075,000.

B. Claims and Judgments

The Department of Transportation finances its own risk for state employee injury compensation. The Department had \$10,149,000 in claims liabilities at the end of the year.

C. Pollution Remediation Obligations

Auburn University conducts groundwater monitoring, monitored natural attenuation and clean-up in accordance with the Resource Conservation and Recovery Act (RCRA) and the Toxic Substances and Control Act. Additionally, asbestos abatement is necessary as older buildings on campus are demolished or renovated. The University, with the assistance of an outside consultant, prepared a 30-year Post Closure Cost Estimate related to all active and inactive solid waste management units managed through the University RCRA Facility permit. As of September 30, 2013, the total estimated pollution remediation (estimated using the expected cash-flow technique) is \$6,774,000. The current portion of \$3,220,000 is included in Noncurrent Liabilities: Due Within One Year and the long-term portion of \$3,554,000 is included in Noncurrent Liabilities: Due In More Than One Year in the accompanying Statements of Net Position. The University does not expect to recover any funds from insurance or other third parties related to these obligations.

D. Conduit Debt

Troy University, a nonmajor component unit, issued Special Limited Obligation Revenue Bonds Series 1997 to provide athletic facility improvements for Sartain Hall and Memorial Stadium. The total amount of outstanding conduit debt as of September 30, 2013 is \$3,650,000. The bonds are limited obligations of the City of Troy and are payable entirely from the amounts received under the indenture. The bonds do not constitute a debt or pledge of faith and credit of the University or the State of Alabama, and it is not reflected in the accompanying financial statements. Troy University has procured a policy of municipal bond insurance securing payment of debt service on the \$4,820,000 Troy University Special Limited Obligation Revenue Bond Series 1997 from MBIA Insurance Corporation.

Revenue bonds were issued by Alabama Housing Financing Authority, a component unit, which constituted conduit debt outstanding at year-end totaling \$159,855,000 to provide multifamily housing for the citizens of Alabama. The Authority does not actively monitor the operating performance or financial condition of the multifamily properties financed by the bonds. Multifamily mortgage loans are collateralized by varying methods, including first-liens on multifamily residential rental properties located within the State of Alabama, letters of credit, surety bonds and guarantees provided by third parties. These bonds do not constitute a debt or pledge of the faith and credit of the Authority or the State of Alabama, and accordingly, have not been reported in the accompanying financial statements.

E. Long-term Debt**1. Debt Limitations and Methods of Bond Issuance**

Under Section 213 of the *Constitution of Alabama of 1901*, as modified by Amendment 26, the State is constitutionally prohibited from incurring debt except to repel invasion or suppress insurrection. Therefore, the only method under which general obligation debt can be incurred is by amendment to the *Constitution*. Although conventions proposed by the legislature and approved by the electorate may be called for the purpose of amending the *Constitution*, historically all amendments have been adopted by a procedure which requires them to be proposed by a three-fifths majority of each house of the legislature and thereafter ratified by a majority of the electorate.

The Supreme Court of Alabama has ruled that debt prohibition does not apply to debts incurred by separate public corporations functioning as state instrumentalities. The State has followed the practice of financing many capital improvements and developmental grant programs by issuing debt through such public corporations. The legislature (through enabling legislation) and the Governor (by executive order) have created public corporations and authorities of the State for the purpose of financing projects and programs such as public highways, public educational facilities, judicial buildings, affordable housing, economic development grants, and other projects. In most instances, state officials such as the Governor, Lieutenant Governor, Attorney General, State Treasurer, and the Director of Finance serve as board members of these corporations. The revenue bonds issued by these corporations are limited obligations of the corporation, not general obligations of the State, and the full faith and credit of the State is not pledged for their repayment. Certain revenues, usually earmarked taxes or revenues generated from the project

financed, are pledged for the payment of the debt. These corporations are reported by blending them with the primary government. The State also enters into lease purchase agreements which are reported in accordance with generally accepted accounting principles as capital lease debt or notes payable.

The State and its component units issue serial and term bonds and capital appreciation bonds. Capital appreciation bonds are sold at a deep discount and do not pay any interest until the bonds mature. Based on the original offering price, the bonds increase in value as semi-annual interest is earned and is compounded from the original issuance date to the date of maturity. The issuance of this type bond postpones the cash flow until the bonds mature or are called. The increase in the value of the bonds is referred to as accretion.

2. General Obligation Bonds – Governmental Activities

The State has general obligation bond issues outstanding for the purpose of financing major capital projects for: state waterways, State Port Authority's facilities, prisons, roads, bridges, mental hospitals, Mobile harbor, state parks, youth services facilities, state buildings, the State Coliseum, conservation and preservation projects, educational television, forensic sciences laboratories, agricultural development, diagnostic and research laboratories, and historical projects. General obligation bonds also finance grant programs for public school and college buildings, as well as economic development grants to industry and local government. The full faith and credit of the State is pledged for the payment of the bonds. The following schedule shows the general obligation annual debt service requirements and is followed by a detailed table describing each individual general obligation bond issue outstanding:

GENERAL OBLIGATION BONDS Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2014	\$ 36,520,000	\$ 30,018,901	\$ 66,538,901
2015	39,180,000	28,779,177	67,959,177
2016	40,455,000	27,142,127	67,597,127
2017	46,455,000	25,232,827	71,687,827
2018	48,430,000	23,041,627	71,471,627
2019-2023	254,960,000	76,993,636	331,953,636
2024-2028	154,745,000	26,212,538	180,957,538
2029-2033	39,450,000	5,077,408	44,527,408
Total	660,195,000	\$ 242,498,241	\$ 902,693,241
Unamortized Premium	45,172,212		
Unamortized Loss	(5,634,231)		
	\$ 699,732,981		

For the Fiscal Year Ended September 30, 2013

GENERAL OBLIGATION BONDS PAYABLE

General Obligation Issue	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2013
Series 2005				
Series A - Universities and Economic Development	02/01/05	08/01/25	3.0% to 5.0%	\$ 9,305,000
Series 2006 - Economic Develop. & Industry Recruitme	02/01/06	02/01/26	3.5% to 5.0%	46,835,000
Series 2007 - Economic Develop. & Industry Recruitme	08/01/07	08/01/27	3.5% to 5.0%	238,030,000
Series 2010				
Series A - Refunding Bonds	03/23/10	06/01/21	3.0% to 5.0%	32,445,000
Series B - Refunding Bonds	03/23/10	06/01/21	3.0% to 4.0%	10,535,000
Series C - Refunding Bonds	05/11/10	06/01/21	3.3% to 5.0%	53,030,000
Series D - Economic Development	05/11/10	06/01/32	3.0% to 5.0%	105,855,000
Series 2013				
Series A - Refunding Bonds	08/01/13	08/01/25	0.2% to 3.3%	129,235,000
Series B	08/01/13	08/01/33	0.2% to 4.4%	33,000,000
Series C - Refunding Bonds	08/01/13	08/01/21	0.5% to 2.6%	1,925,000
Sub-total General Obligation Bonds				660,195,000
‡ Plus: Unamortized Premiums				45,172,212
†† Less: Unamortized Loss				(5,634,231)
Total General Obligation Bonds				\$ 699,732,981

‡ Unamortized premiums were \$408,848 for Series 2005-A, \$705,551 for Series 2006, \$6,532,890 for Series 2007, \$2,743,127 for Series 2010-A, \$471,936 for Series 2010-B, \$4,668,816 for Series 2010-C, \$8,555,358 for Series 2010-D, \$19,224,610 for Series 2013-A, \$1,785,950 for Series 2013-B, and \$75,126 for the Series 2013-C.

†† Unamortized accounting losses were \$730,536 for Series 2010-A, \$214,152 for Series 2010-B, \$3,828,240 for Series 2010-C, \$851,369 for the Series 2013-A and \$9,934 for the Series 2013-C.

3. Revenue Bonds

a. Primary Government – Governmental Activities

The Alabama Corrections Institution Finance Authority issues bonds for the purposes of acquiring land and constructing correctional institutions. The bonds are payable from revenues derived from payments under a lease agreement between the Authority and the Department of Corrections.

The Alabama Building Renovation Finance Authority issues bonds to provide funding for the renovation, reconstruction, operation, and maintenance of public office buildings in the state capitol complex. The Authority also receives income from the rental of the office buildings to state agencies. The bonds issued by the Authority are payable from the rents received by the authority under lease agreements.

The Alabama Judicial Building Authority issues bonds for the purpose of funding the acquisition, construction, and capital improvements of judicial facilities. The bonds are payable from revenues and receipts paid by the Judicial System pursuant to the lease and earnings, if any, on funds held by the State Treasurer.

The Alabama Public Health Care Authority issues bonds for the purpose of funding the acquisition, construction, and equipping of buildings located in each county for the use of the Department of Public Health. Transfers received from the Department of Public Health, along with income from investing idle funds are used for the payment of principal and interest on the bonds. A Municipal Bond Insurance Policy also guarantees payment of the bonds.

The Alabama Federal Aid Highway Finance Authority issues bonds for the purpose of funding the costs of constructing any roads, streets, parks, right of ways, bridges, railroad crossings, drainage structures, signs, guard rails, structures, interstates, surfaces, resurfaces, shoulders, road sides, or any other work which is eligible for federal aid financing assistance under Title 23, Chapter 1, of the United States Code and applicable regulations. The bonds are issued in anticipation of the receipt by the State of the federal share of the costs. Principal and interest paid for the current year and federal revenue were \$28,980,000 and \$913,307,000, respectively.

The Alabama Incentives Finance Authority issues bonds to fund financial commitments to industries relocating to Alabama under the terms of the State's Industrial Incentives legislation. Revenues from the Tennessee Valley Authority to the State "in lieu of taxes" are pledged for the payment of these bonds. Principal and interest paid for the current year and the "in lieu of taxes" revenue were \$17,944,000 and \$19,055,000, respectively.

The Alabama Public School and College Authority is authorized to issue bonds to construct and improve educational buildings. Revenue from the sales and use taxes, the leasing tax, and the utilities gross receipts and use taxes are pledged for the payment of these bonds. Principal and interest paid for the current year was \$272,185,000. Sales taxes, use taxes, leasing taxes, and utilities gross receipts and use taxes for the current year were \$2,353,497,000.

The Alabama Mental Health Finance Authority issues bonds for the acquisition, construction, improvement, and equipping of mental health facilities. Revenues from certain tobacco and liquor taxes are pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year was \$1,848,000. Tobacco and liquor taxes for the current year were \$5,652,000.

The Alabama Twenty-first Century Authority issues bonds for the purpose of promoting economic development and industrial recruitment for the State of Alabama. The bonds are special obligations of the Authority payable solely from the Trust Estate created under the Indenture. Principal and interest paid for the current year and tobacco settlement revenue were \$4,467,000 and \$13,000,000, respectively.

The Alabama Revolving Loan Fund Authority issues bonds for the purpose of making grants to the Regional Planning and Development Commissions which are utilized by the grantees as revolving loan funds. Revenues from privilege and license tax on providers of cellular radio telecommunication services are used to pay the debt. Principal and interest paid for the current year and cellular radio telecommunication privilege and license taxes were \$1,847,000 and \$80,511,000, respectively.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2013

PRIMARY GOVERNMENT				
Governmental Activities	Date	Final	Interest	Bonds
Revenue Bonds	Issued	Maturity	Rates	Payable
		Date		Sept. 30, 2013
Alabama Corrections Institution Finance Authority				
2003-B Term Bonds	01/01/03	04/01/15	5.00% to 5.00%	\$ 4,000,000
Alabama Building Renovation Finance Authority				
Series 2006	08/01/06	09/01/31	4.00% to 5.00%	25,710,000
Series 2010	07/21/10	09/01/24	2.50% to 4.00%	22,330,000
Alabama Judicial Building Authority				
Series 2007 Bonds	10/01/07	11/01/18	3.50% to 5.00%	18,710,000
Alabama Public Health Care Authority				
Series 2005	09/28/05	09/01/35	4.00% to 4.50%	48,560,000
Alabama Federal Aid Highway Finance Authority				
Series 2011	08/23/11	03/01/17	1.00% to 5.00%	63,115,000
Series 2012	12/06/12	09/01/26	0.35% to 2.40%	327,545,000
Alabama Incentives Finance Authority				
Series 2009-A	09/17/09	09/01/29	3.00% to 4.00%	20,960,000
Series 2009-B	09/17/09	09/01/29	1.93% to 4.00%	88,420,000
Series 2009-C	09/17/09	09/01/29	3.00% to 4.00%	15,805,000
Series 2012-A	10/23/12	09/01/42	0.45% to 3.85%	123,385,000
Alabama Public School and College Authority				
Series 2005	02/01/05	08/01/25	3.00% to 4.50%	58,950,000
Series 2006	07/01/95	05/01/15	4.00% to 5.00%	40,110,000
Series 2007	12/05/07	12/01/27	2.50% to 5.00%	885,905,000
Series 2008-A	02/05/08	02/01/28	3.25% to 4.25%	40,295,000
Series 2009-A	10/21/09	05/01/24	5.00% to 5.00%	345,210,000
Series 2009-B	10/21/09	05/01/19	3.00% to 5.00%	120,360,000
Series 2009-C	10/21/09	05/01/29	3.00% to 4.00%	31,760,000
Series 2009-D	12/03/09	12/15/25	3.70% to 3.70%	145,880,000
Series 2010-A	04/14/10	05/01/19	4.00% to 5.00%	109,775,000
Series 2010-B	04/14/10	05/01/14	5.00% to 5.00%	36,355,000
Series 2010-Q	09/14/10	03/01/27	5.15% to 5.15%	154,727,000
Series 2010-C	11/29/10	12/01/20	2.48% to 2.48%	51,080,000
Series 2010-D	11/29/10	12/01/20	3.77% to 3.77%	13,040,000
Series 2011-A	06/02/11	05/01/26	4.60% to 4.60%	51,270,000
Series 2011-B	06/02/11	05/01/21	2.00% to 5.00%	18,130,000
Series 2012-A	02/29/12	03/01/24	3.00% to 5.00%	73,260,000
Series 2012-B	02/29/12	03/01/29	2.50% to 5.00%	85,435,000
Series 2012-C Direct Loan Bonds	10/31/12	11/01/22	1.55% to 1.55%	5,735,000
Series 2012-D Direct Loan Bonds	10/31/12	11/01/22	2.02% to 2.02%	27,265,000
Series 2013-A	06/24/13	06/01/33	3.00% to 5.00%	119,085,000
Series 2013-B	06/24/13	06/01/33	4.00% to 5.00%	53,625,000
				<u>\$ 3,225,792,000</u>

Continued on next page

PRIMARY GOVERNMENT, Continued**Governmental Activities****Revenue Bonds****Sub-Total from previous page**

Mental Health Finance Authority

Series 2005

07/01/12

06/01/23

4.75% to 5.50%

3,030,000

Series 2012

07/01/12

06/01/23

2.12% to 2.12%

15,700,000

Alabama Twenty-first Century Authority

Tobacco Settlement Revenue Bonds, Series 2012

03/08/12

06/01/21

3.00% to 5.00%

92,630,000

Alabama Revolving Loan Fund Authority

Series 2010

12/01/10

03/01/30

2.50% to 6.13%

19,005,000

Sub-total Revenue Bonds Payable

\$ 3,356,157,000

‡ Less: Unamortized Discounts

(336,615)

§ Plus: Unamortized Premiums

224,905,229

†† Less: Unamortized Loss

(44,527,511)

Net Primary Government**Revenue Bonds Payable, Governmental Activities****\$ 3,536,198,103**

‡ Unamortized Discount \$336,615 for Public Health Care Authority.

§ Unamortized premium is \$79,018,621 for Federal Aid Highway Finance Authority,

\$48,458 for Alabama Corrections Institution Finance Authority, \$1,950,129 for Building

Renovation Finance Authority, \$605,232 for Judicial Building Authority, \$11,564,104 for the Alabama Twenty-first Century

Authority, \$115,322,072 for Alabama Public School and College Authority, \$161,609 for the Mental Health Finance Authority

\$16,188,985 for Incentives Financing Authority and \$46,019 for the Alabama Revolving Loan Fund Authority.

†† Unamortized accounting losses were \$953,376 for the Alabama Building Renovation Finance Authority,

\$634,270 for Public Health Care Authority, \$1,650,868 for Federal Aid Highway Finance Authority, \$131,280 for

Judicial Building Authority, \$36,657,666 for the Public School and College Authority, \$100,191 for the Mental Health Finance

Authority, \$1,329,520 for Incentives Financing Authority, \$317,620 for the Alabama Revolving Loan Fund Authority and

\$2,752,720 for the Twenty-first Century Authority.

b. Primary Government – Business-Type Activities

The Alabama State Port Authority issues bonds for the construction and maintenance of a wharf, warehouse, open storage area, and other port facilities at Mobile Bay. The bonds are secured by the gross revenues of the Authority derived from charges made by the Authority for all services provided. At September 30, 2013, the outstanding principal balance of the 2008-A bonds was \$60,005,000. The Series 2008-A bonds will bear interest at a rate of 100 basis points plus 67 percent of LIBOR (London Interbank Offered Rate). The rate at 9/30/13 was 1.122 percent. Principal and interest paid for the current year and gross revenues were \$25,640,000 and \$147,508,000, respectively.

The Alabama Community College System has numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, and athletic facilities. Principal and interest paid for the current year and tuition and fee revenue were \$25,577,000 and \$170,709,000, respectively.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2013

PRIMARY GOVERNMENT

Business-Type Activities

Revenue Bonds, Proprietary Funds

	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2013
State Port Authority				
Series 2006-A	11/01/06	10/01/36	4.50% to 5.00%	\$ 138,240,000
Series 2006-B	11/01/06	10/01/36	4.50% to 5.00%	45,955,000
Series 2006-D	12/07/06	10/01/30	4.35% to 4.35%	21,600,000
Series 2008-A	04/01/08	10/01/21	Variable	60,005,000
Series 2010	12/09/10	10/01/40	5.75% to 6.00%	106,045,000
Alabama Community College System	Various	Various	1.25% to 6.30%	284,514,083
Sub-total Revenue Bonds Payable, Proprietary Funds				656,359,083
§ Plus: Unamortized Premium				1,908,737
†† Less: Unamortized Loss				(8,310,546)
Net Primary Government Revenue Bonds Payable, Proprietary Funds				\$ 649,957,274

§ Unamortized premium \$662,917 for Alabama State Port Authority and \$1,245,820 for Alabama Community College System.

†† Unamortized accounting losses were \$6,951,854 for Alabama State Port Authority and \$1,358,692 for Alabama Community College System

Revenue Bonds

Debt Service Requirements to Maturity

	Governmental Activities		Business-type Activities	
Maturity	Principal	Interest	Principal	Interest
2014	\$ 226,370,000	\$ 150,026,920	\$ 34,281,083	\$ 27,674,011
2015	218,345,000	140,039,437	24,546,000	26,784,850
2016	229,795,000	130,127,594	26,758,000	26,503,181
2017	242,115,000	119,245,639	27,400,000	25,185,430
2018	237,335,000	108,018,009	84,564,000	50,414,501
2019-2023	943,350,000	382,866,958	132,965,000	94,535,132
2024-2028	1,024,162,000	171,430,331	102,825,000	70,034,130
2029-2033	135,315,000	40,402,670	75,515,000	49,119,899
2034-2038	53,230,000	18,872,700	86,165,000	29,935,238
2039-2043	46,140,000	5,908,000	61,340,000	5,667,600
Total	3,356,157,000	\$ 1,266,938,258	656,359,083	\$ 405,853,972
Unamortized Premium	224,905,229		1,908,737	
Unamortied Loss	(44,527,511)		(8,310,546)	
Unamortized Discount	(336,615)		-	
	\$ 3,536,198,103		\$ 649,957,274	

c. Component Units

The Alabama Housing Finance Authority issues bonds that are limited obligations of the Authority and are not a debt or liability of the State. Each bond issue is secured, as described in the applicable trust indenture, by all revenues, monies, investments, mortgage loans, and other assets in the funds and accounts of the program. Substantially all of the Authority's assets are pledged as security for the bonds.

The Alabama Water Pollution Control Authority issues bonds to provide funds for the purpose of making loans to certain local government units to construct sewage treatment plants and related facilities. Proceeds from loan agreements are used for payment of debt service related to the bonds.

The Alabama Drinking Water Finance Authority issues bonds to provide funds which are used to make loans to local governments for planning, designing, acquiring, or constructing sanitary drinking water and related facilities. Proceeds from the loan agreements are used for payment of debt service related to the bonds.

The Alabama Space Science Exhibit Finance Authority issued bonds to finance the construction of the Space Camp and related housing facilities for the campers. The bonds are secured by a lease of the facilities to the Space Science Exhibit Commission as well as a pledge of all revenues of the Commission. The interest rate on the Series 2009-A is variable and equal to 70 percent of LIBOR plus 3 percent, but at no time less than 4.3 percent. As of September 30, 2013, the interest rate was 4.3 percent.

The boards of the various institutions of higher education have numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, hospitals, and athletic facilities.

COMPONENT UNITS	Date	Final	Interest	Bonds Payable
Revenue Bonds	Issued	Maturity	Rates	Sept. 30, 2013
		Date		
Alabama Housing Finance Authority				
Single family Bond Programs	2000-2010	2016-2039	Various	\$ 340,640,000
Alabama Water Pollution Control Authority				
Revolving Fund Loan Bonds, Series 2003B	01/01/03	02/15/16	3.00% to 4.38%	15,470,000
Revolving Fund Loan Bonds, Series 2008	02/01/08	08/15/29	3.00% to 4.00%	26,330,000
Revolving Fund Loan Bonds, Series 2010-A	06/21/10	08/15/23	3.00% to 4.00%	28,600,000
Revolving Fund Loan Bonds, Series 2010-B	08/02/10	08/15/21	2.00% to 3.00%	53,455,000
Revolving Fund Loan Bonds, Series 2010-C	12/01/10	08/15/23	2.00% to 4.00%	30,335,000
Alabama Drinking Water Finance Authority				
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	29,305,000
Revolving Fund Loan Bonds, Series 2004-A	12/01/04	08/15/28	4.00% to 4.63%	23,805,000
Revolving Fund Loan Bonds, Series 2005-A	10/01/05	08/15/28	4.00% to 5.25%	39,205,000
Revolving Fund Loan Bonds, Series 2012-A	02/01/12	08/15/24	0.05% to 4.00%	39,545,000
Alabama Space Science Exhibit Finance Authority				
Series 2005-B	05/01/05	04/01/26	5.77% to 5.77%	8,590,000
Series 2009-A	09/25/10	09/01/29	4.33% to 4.33%	3,950,000
Sub-total Revenue Bonds Payable, Component Units				<u>\$ 639,230,000</u>

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STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2013

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2013
Sub-Total from previous page				\$ 639,230,000
Higher Education				
University of Alabama - Tuscaloosa	2004-2012	2019-2042	1.00% to 6.28%	791,995,000
University of Alabama - Birmingham	1993-2013	2014-2044	1.00% to 5.80%	965,748,000
University of Alabama - Huntsville	1980-2013	2016-2043	0.01% to 6.13%	110,271,000
Athens State	2007-2010	2027-2030	various	13,605,000
Alabama A&M University	1980-2007	2018-2032	3.00% to 5.38%	51,030,000
Alabama State University	1965-2012	2014-2042	1.90% to 8.50%	227,607,000
Auburn University	1978-2012	2014-2042	2.00% to 5.49%	735,818,791
Jacksonville State University	2008-2011	2023-2039	2.25% to 5.00%	76,810,000
University of West Alabama	2010-2012	2041-2042	3.00% to 3.00%	53,810,000
University of Montevallo	1985-2012	2016-2035	1.34% to 4.00%	27,094,000
University of North Alabama	2010-2012	2024-2041	2.00% to 6.55%	45,660,000
University of South Alabama	1999-2013	2018-2038	2.00% to 5.25%	394,543,000
Troy University	2005-2010	2024-2029	2.75% to 6.50%	107,540,000
Total Revenue Bonds Payable				4,240,761,791
Less: Unamortized Discounts				(2,705,247) †
Less: Unamortized Loss				(7,408,267) ‡
Plus: Unamortized Premium				65,252,980 §
Net Revenue Bonds Payable, Component Units				\$ 4,295,901,257

† Unamortized discounts were \$36,000 for the University of South Alabama, \$8,169 for Auburn University, \$185,868 for the University of Montevallo \$834,607 for the University of North Alabama, \$1,409,483 for Alabama State University and \$231,120 for the University of West Alabama.

‡ Unamortized accounting loss was \$3,897,424 for Alabama State University, \$361,725 for the Alabama Space and Science Commission, \$226,000 for the University of South Alabama, \$2,301,077 for Alabama A & M University, \$562,982 for Jacksonville State University, and \$59,059 for the University of West Alabama.

§ Unamortized premiums were \$20,423,136 for the University of Alabama - Tuscaloosa, \$26,124,255 for Auburn University, \$6,609,000 for the University of South Alabama, \$1,803,116 for the Water Pollution Control Authority, \$905,530 for Alabama State University, \$2,106,679 for Alabama A & M University, \$6,594,057 for University of Alabama - Birmingham, \$13,080 for the University of West Alabama, \$391,927 for the Alabama Drinking Water Authority and \$282,200 for the University of Alabama - Huntsville.

COMPONENT UNITS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2014	\$ 164,453,349	\$ 178,139,523	\$ 342,592,872
2015	149,202,361	175,268,357	324,470,718
2016	149,151,719	170,588,508	319,740,227
2017	220,010,501	165,560,742	385,571,243
2018	166,836,554	159,748,684	326,585,238
2019-2023	768,796,307	702,884,168	1,471,680,475
2024-2028	788,911,000	523,874,734	1,312,785,734
2029-2033	765,530,000	361,044,433	1,126,574,433
2034-2038	736,269,000	175,768,769	912,037,769
2039-2043	324,226,000	29,443,989	353,669,989
2044	7,375,000	157,888	7,532,888
Total	4,240,761,791 †	<u>\$ 2,642,479,795</u>	<u>\$ 6,883,241,586</u>
Unamortized Discount	(2,705,247)		
Unamortized Loss	(7,408,267)		
Unamortized Premium	65,252,980		
	<u>\$ 4,295,901,257</u>		

† The above table shows interest in the year it will be paid, not the year it is accrued.

4. Refunded Bonds

Advance refunding bonds are issued to retire existing bonds. A portion of the proceeds from the sale of the refunding bonds is deposited with an escrow agent according to an escrow trust agreement. The proceeds are invested by the escrow agent in certain U.S. Treasury obligations in such amounts with certain maturities to provide sufficient funds to pay the remaining maturing principal and interest on the refunded bonds as they become due. The refunded bond debt is considered to be retired for financial reporting purposes even though the debt is still legally outstanding and the issuer of the bonds has not been released from the debt obligations. The U.S. Treasury obligations constitute a trust fund to be held by the escrow agent for the benefit of the holders of the refunded bonds. Advance refundings and early redemptions are discussed in the remainder of this section.

On August 21, 2013, General Obligations Refunding Bonds, Series 2013-A, were issued in the amount of \$129,235,000 with effective interest rates ranging from 0.2 percent to 3.3 percent. An original premium of \$19,224,610 was received on the sale of the bonds. The bond proceeds were used to refund, on a current basis, Series 2001-E bonds with an outstanding principal amount of \$50,135,000, to refund, on a current basis, Series 2002-A bonds with an outstanding principal amount of \$30,090,000, and to refund, on an advance basis \$62,525,000 of outstanding Series 2005-A (partially refunded). The refunding resulted in an accounting loss of \$851,368. Also, the refunding resulted in an economic gain of \$11,690,691 and a reduction of cash flows required to service the new debt compared to cash flows to service the old debt of \$28,128,312.

On August 31, 2013, General Obligation Refunding Bonds, Series 2013-C, were issued in the amount of \$1,925,000 with effective interest rates ranging from 0.5 percent to 2.5 percent. An original premium of \$75,126 was received on the bonds. The bonds were used to refund, on a current basis, Series 2001-D bonds with an outstanding principal amount of \$3,140,000. Additional funds of \$1,475,853 were provided by the State to complete the refunding. The refunding resulted in an economic gain of \$336,474 and a reduction of cash flows required to service the new debt compared to cash flows to service the old debt of \$318,084.

During the fiscal year, the Alabama Housing Finance Authority called approximately \$44,194,000 of bonds in advance of their scheduled maturity.

For the Fiscal Year Ended September 30, 2013

Defeased Bonds:

University of Alabama in Tuscaloosa	\$ 114,200,000
University of Alabama in Birmingham	49,840,000
General Obligation 2005-A	62,525,000

5. Arbitrage

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, to calculate and rebate arbitrage earnings to the Federal Government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulation in order for their bonds to maintain tax-exempt status.

The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield to be rebated to the federal government. Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least once every five years over the life of the bonds. Bond issues with arbitrage liabilities outstanding at September 30, 2013, were as follows:

<u>Component Units</u>	<u>Amount</u>
Water Pollution Control Authority	\$ 134,043

This list is based upon incomplete data since some bond issues have not yet been included in arbitrage calculations. Any refunded bond issue is subject to the rebate requirement until the last bond is redeemed. Bond issues that have already been redeemed may be subject to additional payments if an arbitrage rebate or spending payment is owed and has not been paid.

6. Bonds Authorized But Not Issued

(Amounts in Thousands)

<u>Primary Government</u>	<u>Authorized</u>	<u>Issued</u>	<u>Unissued</u>
General Obligation Bonds †			
State of Alabama	\$ 750,000	\$ 562,260	\$ 187,740
Federal Aid Highway Finance Authority	Based on amount received in federal funds		
Farmers Market Authority	10,000	-	10,000
Highway Authority	20,000	7,000	13,000
Corrections Institution Finance Authority	83,000	19,000	64,000
Public Health Finance Authority	45,000	-	45,000
Public Health Care Authority	Unlimited		
Parking Deck Authority	13,000	-	13,000
Gulf State Park Authority	70,000	-	70,000
Alabama Toll Road, Bridge and Tunnel Authority	Based on Authority's construction of toll road, bridge or tunnel projects payable from tolls and other revenues		
State Industrial Development Authority ‡	100,000	38,390	61,610
Mental Health Finance Authority	100,000	99,981	19
Alabama Public School and College Authority-Pool Bonds	Unlimited		
Alabama Public School and College Authority-Capital Improvement Bonds	208,000	205,710	2,290
Total Reporting Entity	\$ 1,399,000	\$ 932,341	\$ 466,659

† Constitutional amendment 666, as amended, limits the aggregate outstanding general obligation bonds to \$750,000,000.

The aggregate limit does not include general obligation bonds authorized by other constitutional amendments.

‡ The State Industrial Development Authority is authorized to issue a total of \$100,000,000 in bonds in addition to any bonds authorized prior to 1991. No more than \$40,000,000 in aggregate principal amount of such bonds may be outstanding at any one time. At September 30, 2013, there were no bonds outstanding.

7. Hedging Derivatives

University of South Alabama - On February 27, 2007, the University of South Alabama Research and Technology Corporation entered into a derivative transaction with Wells Fargo Bank, N.A. (successor to Wachovia Bank, N.A. the original counterparty). The derivative is a “receive variable, pay fixed” interest rate swap entered into in connection with the promissory note that came into effect upon conversion of the construction loan into a permanent loan on May 1, 2008. The Corporation utilizes the interest rate swap to convert its variable rate on the promissory note to a synthetic fixed rate. The promissory note came into effect on May 1, 2008, upon conversion of the construction loan. Also, on May 1, 2008, the interest rate swap associated with the loan became effective. The swap will terminate on May 1, 2028, when the loan matures. The notional amount of the swap will at all times match the outstanding principal amount of the loan. Under the swap, the Corporation pays the counterparty a fixed payment of 6.10 percent and receives a variable payment of the one-month LIBOR rate plus 0.85 percent. The Corporation paid \$789,000 and \$803,000 under the interest rate swap agreement for the years ended September 30, 2013 and 2012, respectively, which is reflected as an increase in interest expenses.

Fair Value. At September 30, 2013 the negative fair value of the interest rate swap is \$(3,225,000), reflecting a change in fair value of \$1,664,000 over fiscal year 2012. The changes in fair value are reported as deferred outflows on the Statement of Net Position since the interest rate swap is a hedging derivative instrument. The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

Interest Rate Risk. On the Corporation’s “receive-variable, pay-fixed” interest rate swap, as LIBOR decreases, the net payment on the swap increases.

Credit Risk. As of September 30, 2013 the Corporation was not exposed to credit risk on the interest rate swap because it had a negative fair value. However, if interest rates change and the fair value of the derivative becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivatives’ fair value. The counterparty was rated Aa3 by Moody’s Investors Services and AA- by Standard & Poor’s Ratings Services as of September 30, 2013.

Termination Risk. The interest rate swap contracts use the International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard default and termination events, such as failure to make payments, breach of agreement, and bankruptcy. At September 30, 2013, no events of default or termination had occurred. If the interest rate swap is terminated, interest rate risk associated with the variable rate debt would no longer be hedged. Also, if at the time of termination the interest rate swap had a negative fair value, the Corporation would be liable to the counterparty for a payment equal to the interest rate swap’s fair value. To allow the Corporation the maximum flexibility to manage the utilization of Building II and III while at the same time providing protection for the counterparty, the Corporation granted the counterparty a \$2,000,000 mortgage secured by an interest in the ground lease with respect to the parcel of land on which Building II stands, an interest in Building II, a security interest in Building II tenant leases, and a security interest in income received from rental of Building II.

Alabama State University – Alabama State University has entered into a pay-fixed interest rate swap agreement with J. P. Morgan Chase Bank with an objective of hedging cash flows on its Series 2004 Series General Revenue bonds with an effective date of August 27, 2004 and a maturity date of March 1, 2033. The terms of the agreement are for the University to pay 3.222 percent and receive 68 percent of the 30 day LIBOR rate. The notional amount at September 30, 2013 was \$22,525,000 and the hedging derivative liability was a negative \$5,365,000. The \$(1,022,000) change in fair value is reported in deferred outflows on the Statement of Net Position.

As of September 30, 2013, the synthetic interest rates on the swapped portion of the 2004 general revenue bonds were 3.075 percent. The fair value of the pay-fixed rate swap was estimated through forecasting expected cash flows that are discounted. The University’s interest rate swap hedging derivatives have been determined to be effective using the synthetic instrument method.

Interest Rate Risk. The University is exposed to interest rate risk on its interest rate swap. The fair value of this instrument is sensitive to interest rate changes. Because rates have changed since the effective date of the swap, a negative fair value existed at September 30, 2013. The negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the University’s variable-rate bonds adjust to

For the Fiscal Year Ended September 30, 2013

changing interest rates, the bonds do not have corresponding fair value increases. As the yield curve rises, the value of the swap will increase and as rates fall, the value of the swap will decrease.

Credit Risk. As of September 30, 2013, the University is not exposed to credit risk because the swap has a negative fair value. However, should interest rates change and the fair value of the swap become positive, the University would be exposed to credit risk in the amount of the derivatives' fair value.

Basis Risk. The University receives 68 percent of 1-month LIBOR Index from J.P. Morgan Chase Bank (JPM) and pays a floating rate to its bondholders set by the Remarketing Agent. The University incurs basis risk when its bonds trade at a yield above 68 percent of 1-month LIBOR Index. If the relationship of the University's bonds trade to a percentage of LIBOR greater than 68 percent, the University will experience an increase in debt service above the fixed rate on the swap.

Termination Risk. The interest rate swap agreement has a stated termination date of March 1, 2033; however, the University and counterparty, JPM have the right to terminate the agreement prior to such date upon the occurrence of certain extraordinary events, and further, JPM has retained an option to terminate the agreement at any time on or after March 1, 2012 for any reason with no obligation to make any termination payment other than the amount of any regular periodic payment accruing to the termination date. In addition, if the University terminates the agreement prior to March 1, 2033, the University would be liable to the counterparty for a payment equal to the swap's negative fair value.

Rollover Risk. The University is not exposed to rollover risk, because the maturity dates for hedged variable-rate bonds and the interest rate swap agreement are the same, March 2033.

8. Notes, Mortgages, and Capital Leases**Debt Principal Requirements to Maturity**

	Governmental Activities	Business-Type Activities	Component Units
Maturity	Principal	Principal	Principal
2014	\$ 11,092,108	\$ 2,115,600	\$ 12,232,650
2015	10,259,591	403,750	9,472,985
2016	7,958,503	1,858,112	8,829,454
2017	7,818,856	98,779	7,699,849
2018	7,112,928	539,114	7,047,662
2019-2023	38,763,369	426,154	59,080,083
2024-2028	50,504,760	-	28,678,106
2029-2033	33,366,637	-	25,815,862
2034-2038	5,772,791	-	33,458,399
2039-2043	994,840	-	-
2044-2047	202,558	-	-
Total	173,846,941	5,441,509	192,315,050
Interest	(186,330)	-	(13,816,228)
Net	\$ 173,660,611	\$ 5,441,509	\$ 178,498,822

At September 30, 2013 assets recorded under capital leases were as follows (amounts expressed in thousands):

	Governmental Activities
Buildings	\$ 131,159
Equipment	8,227
Less: accumulated depreciation	(45,468)
Total	\$ 93,918

The State leases office buildings and equipment with varying terms and options. Most buildings under capital lease have a term of twenty-five to thirty years, but can range from twenty to forty years. Capital leases are recorded at the lower of the present value of the future minimum lease payments or fair market value. Principal and interest capital lease payments are recorded as expenditures of the applicable governmental function in the governmental fund. The largest capital leases in governmental activities are for buildings in county facilities used by the Department of Public Health and the Department of Human Resources.

9. Changes in Noncurrent Liabilities

(Amounts in Thousands)	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 683,715	\$ 164,160	\$ 187,680	\$ 660,195	\$ 36,520
Revenue Bonds	2,899,297	657,870	201,010	3,356,157	190,015
Total Bond Principal	3,583,012	822,030	388,690	4,016,352	226,535
Plus: Premiums	175,468	115,957	21,348	270,077	-
Less: Discounts	369	-	32	337	-
Losses	55,145	861	5,845	50,161	-
Total Bonds Payable	3,702,966	937,126	404,161	4,235,931	226,535
Capital Leases/Notes/Mortgages	181,117	3,262	10,718	173,661	10,988
Claims & Judgments	68,419	57,359	48,984	76,794	23,875
Compensated Absences †	292,368	11,474	23,645	280,197	3,354
Other Long-Term Liabilities ††	4,329	-	2,913	1,416	-
Other Post-Employment Benefits	659,504	254,406	107,666	806,244	-
Total Governmental Activities	4,908,703	1,263,627	598,087	5,574,243	264,752
Business-type Activities:					
Revenue Bonds	648,306	34,622	32,971	649,957	34,281
Capital Leases/Notes/Mortgages	6,835	-	1,393	5,442	526
Claims & Judgments	5,864	20,872	20,568	6,168	3,368
Compensated Absences †	29,661	2,837	2,371	30,127	4,964
Other Long-Term Liabilities ‡	16,994	-	3,889	13,105	-
Other Post-Employment Benefits	27,816	11,049	4,677	34,188	-
Total Business-Type Activities	735,476	69,380	65,869	738,987	43,139
Total Primary Government	\$ 5,644,179	\$ 1,333,007	\$ 663,956	\$ 6,313,230	\$ 307,891
Component Units:					
Revenue Bonds	\$ 4,066,607	\$ 642,953	\$ 413,658	\$ 4,295,902	\$ 164,452
Arbitrage	926	-	792	134	-
Capital Leases/Notes/Mortgages	172,041	13,439	6,981	178,499	10,805
Compensated Absences †	122,041	36,034	1,453	156,622	136,408
Claims & Judgments	107,820	1,199,122	1,200,166	106,776	106,776
Other Long-Term Liabilities §	137,474	2,833	21,859	118,448	-
Other Post-Employment Benefits	8,184	3,103	1,313	9,974	-
Total Component Units	\$ 4,615,093	\$ 1,897,484	\$ 1,646,222	\$ 4,866,355	\$ 418,441

† Compensated Absences debt is liquidated proportionately by all funds having payroll costs.

†† Other Long-term liabilities are payable as follows: Department of Finance, \$1,416.

‡ Other Long-term liabilities are payable as follows: State Port Authority, \$12,884, and Alabama College System, \$221.

§ Other Long-term liabilities are payable as follows: University of Alabama, \$28,766, Auburn University, \$42,177, University of South Alabama, \$41,831, University of North Alabama, \$309, Alabama State University, \$5,365.

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NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2013

NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES

A. Interfund Balances

Interfund balances as of September 30, 2013 consisted of (amounts in thousands):

DUE TO	DUE FROM											
		Education		Public	Public		Unem-	Alcoholic				
	General	Trust	Medicaid	Road &	Welfare	Nonmajor	ployment	Beverage	Nonmajor	Internal	Fidu-	
	Fund	Fund	Fund	Bridge	Trust	Govern-	Compensation	Control	Enterprise	Service	ciary	Total
General Fund	\$ 0	\$ 258	\$ 0	\$ 44	\$ 0	\$ 4,822	\$ 0	\$ 11,490	\$ 0	\$ 42	\$ 0	\$ 16,656
Education Trust	6	-	-	-	-	95	-	708	-	-	-	809
Alabama Trust	161,566	422,978	-	-	-	-	-	-	-	-	-	584,544
Medicaid Fund	370	493	-	-	2,662	20,300	-	-	-	-	-	23,825
Public Road & Bridge Fund	229	50	-	-	112	3,941	-	-	-	191	-	4,523
Public Welfare Trust Fund	-	-	8,394	-	-	1,616	-	6,185	-	33	-	16,228
Nonmajor Governmental	5,458	6,188	57,384	1,636	2,610	33,714	6,511	2,768	852	219	-	117,340
Unemployment Compensation	-	-	-	-	-	1	-	-	-	-	-	1
State Port Authority	-	-	-	-	-	155	-	-	-	-	-	155
Alcoholic Beverage Control Board	-	-	-	-	-	70	-	-	-	-	-	70
Internal Service Funds	1,446	708	2,345	1,380	3,082	16,362	-	214	-	18,027	7	43,571
Fiduciary Funds	32	1	-	-	3	13	-	-	-	-	-	49
Totals	\$ 169,107	\$ 430,676	\$ 68,123	\$ 3,060	\$ 8,469	\$ 81,089	\$ 6,511	\$ 21,365	\$ 852	\$ 18,512	\$ 7	\$ 807,771

The majority of the interfund balances due to the Nonmajor Governmental Funds from the General Fund, Education Trust Fund, Medicaid, Unemployment Compensation Fund, and the Nonmajor Governmental Funds consist of routine short term borrowings of cash between funds of individual agencies.

The Education Trust Fund has the most interfund payables, \$430,676,000 in total. Of that amount, \$422,978,000 is to repay the Education Trust Fund Rainy Day Account within the Alabama Trust Fund which was used to alleviate a budget shortfall in fiscal year 2009. Pursuant to Amendment No. 803 *Constitution of Alabama 1901*, the Legislature must provide for the replenishment of the account within six years after withdrawal.

The General Fund has the second most interfund payables, \$169,107,000 in total. Of that amount, \$161,566,000 is to repay the General Fund Rainy Day Account within the Alabama Trust Fund which was used to alleviate a budget shortfall in fiscal year 2010. Pursuant to Amendment No. 803 *Constitution of Alabama 1901*, the Legislature must provide for the replenishment of the account within ten years after withdrawal.

Nonmajor Governmental Funds have the third most interfund payables, totaling \$81,089,000. Of that amount, \$20,300,000 is owed to Medicaid, \$33,714,000 is owed to other Nonmajor Governmental Funds, and \$16,362,000 is owed to Internal Service Funds for goods and services.

Medicaid owed \$8,394,000 to the Public Welfare Trust Fund and \$57,384,000 to Nonmajor Governmental Funds. Of the amount owed to Nonmajor Governmental Funds, \$39,576,000 is due to Mental Health, \$10,858,000 is due to Senior Services, \$4,272,000 is due to Public Health, \$1,829,000 is due to Youth Services, \$847,000 is due to Rehabilitation Services, and \$2,000 is due to Legislative Reference Services.

The Alcoholic Beverage Control Board (ABC) has interfund payables totaling \$21,365,000. ABC owed \$11,490,000 to the General Fund and \$6,185,000 to the Public Welfare Trust Fund. ABC is required by law to distribute profits and certain taxes collected to those two funds, local governments, and the Department of Mental Health. The law also allows ABC to delay distribution for 120 days in order to maintain sufficient operating cash.

The Alabama Trust Fund has the largest interfund receivables, \$422,978,000 due from the Education Trust Fund and \$161,566,000 due from the General Fund, as previously noted. Nonmajor Governmental Funds rank second in interfund receivables, at \$117,340,000. Nearly half, or \$57,384,000 is due from Medicaid. The Internal Service Funds rank third in interfund receivables, at \$43,571,000. Risk Management, an Internal Service Fund, financed several buildings and building renovations for various Nonmajor Governmental Funds in the amount of \$28,125,000 for a period of longer than one year. The remaining Internal Service Fund receivable of \$15,446,000 generally represent normal billings for services rendered or goods sold to the other funds late in the fiscal year which will be paid early in the subsequent fiscal year. The General Fund ranks fourth in receivables, at \$16,656,000. \$11,490,000 of that amount is due from ABC as noted above.

B. Balances with Component Units

Balances owed by state funds to component units at September 30, 2013, consisted of (amounts in thousands):

PAYABLE BY	PAYABLE TO		
	State Employees' Health Insurance	Nonmajor Component Units	Total
General Fund	\$ 56	\$ -	\$ 56
Education Trust Fund	-	21	21
Public Road and Bridge Fund	6	13	19
Nonmajor Governmental	17	441	458
Nonmajor Enterprise Funds	124	-	124
Internal Service Funds	299	1	300
Primary Government	-	5,533	5,533
Totals	\$ 502	\$ 6,009	\$ 6,511

Water Pollution Control Authority, a Nonmajor component unit, has a long term receivable of \$5,533,000 that is due from the primary government as a whole. The second largest payable of \$441,000 is a short term payable owed by Nonmajor Governmental Funds to the Supercomputer Authority and other nonmajor component units. The \$299,000 short term payable was owed by Internal Service Funds to the State Employees' Health Insurance for the multiple claims covered by State Employee Injury Compensation Trust Fund which is an internal service fund.

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For the Fiscal Year Ended September 30, 2013

Balances owed to state funds by component units at September 30, 2013 consisted of (amounts in thousands):

PAYABLE TO	PAYABLE FROM				Total
	University of Alabama	State Employees' Health Insurance	Public Education Employees' Health Insur	Nonmajor Component Units	
General Fund	\$ 0	\$ 1	\$ 0	\$ 0	\$ 1
Nonmajor Governmental	14,388	556	516	4,928	20,388
Internal Service Funds	-	87	1	507	595
Totals	\$ 14,388	\$ 644	\$ 517	\$ 5,435	\$ 20,984

The component units of the State owe \$20,984,000 to various funds of the State. The largest amount, \$14,388,000, is owed by the University of Alabama to the Department of Mental Health for the purchase of the Bryce Hospital property and the construction of replacement facilities. \$4,928,000 is owed to Nonmajor Governmental funds by Nonmajor Component Units. Of that amount, \$3,550,000 is owed by the Water Pollution Control Authority and \$1,119,000 is owed by the Drinking Water Finance Authority. Both payables were owed to the Department of Environmental Management primarily for payroll costs. Risk Management, an Internal Service Fund, financed building renovations for Crime Victims Compensation, a Nonmajor Component Unit in the amount of \$473,000 for a period of longer than one year. The remaining Internal Service Fund receivable of \$122,000 is owed for routine billings of services rendered.

C. Balances Between Component Units

The balances owed between component units at September 30, 2013 were \$2,000. This amount is owed by Crime Victims Compensation to State Employees' Health Insurance for health insurance premiums.

D. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2013 were as follows (amounts in thousands):

TRANSFERS IN													
TRANSFERS	General	Ala		Public	Public	Non-	Unemploy-	State	Alabama	Alcoholic	Non-	Internal	
OUT	Fund	Trust	Medicaid	Road &	Welfare	major	ment	Port	Community	Beverage	major	Enterprise	Total
				Bridge	Trust	Govern-	Compensation	Auth	College	Control	Enterprise	Funds	
General Fund	\$ 0	\$ 0	\$ 21,078	\$ 2	\$ 62,976	\$ 243,449	\$ 0	\$ 0	\$ 0	\$ 14	\$ 0	\$ 6,355	\$ 333,874
Education													
Trust Fund	-	-	7,582	-	13,415	107,622	-	-	287,344	-	2,900	-	418,863
Alabama Trust	259,952	-	-	-	-	79,124	-	-	-	-	-	-	339,076
Medicaid	-	-	-	-	66,742	689,413	-	-	-	-	-	2,836	758,991
Public Road & Bridge Fund	-	-	-	-	-	105,364	-	-	-	-	-	-	105,364
Public Welfare Trust Fund	-	-	34,621	407	-	45,697	-	-	-	-	-	-	80,725
Nonmajor Governmental	90,968	2,359	214,831	38,294	1,462	609,623	1,841	155	1,539	443	-	5,820	967,335
Unemployment Compensation	-	-	-	-	-	9,620	-	-	-	-	-	-	9,620
State Port Auth	-	-	-	-	-	51	-	-	-	-	-	-	51
Alcoholic Beverage Control Board	12,347	-	-	-	440	556	-	-	-	-	-	-	13,343
Nonmajor Enterprise	-	-	-	-	-	12,137	-	-	-	-	-	-	12,137
Internal Service Funds	-	-	-	-	-	2,275	-	-	-	-	-	-	2,275
Fiduciary Funds	-	-	-	-	-	731	-	-	-	-	-	-	731
Totals	\$ 363,267	\$ 2,359	\$ 278,112	\$ 38,703	\$ 145,035	\$ 1,905,662	\$ 1,841	\$ 155	\$ 288,883	\$ 457	\$ 2,900	\$ 15,011	\$ 3,042,385

Transfers are often made between funds as required by the legislature in the appropriation acts as well as by a variety of existing statutes. Of the \$333,874,000 transferred to other funds by the General Fund, \$159,484,000 was transferred in compliance with the appropriation acts. Of that amount, \$62,976,000 was transferred to the Public Welfare Trust Fund, \$50,900,000 was transferred to the Fair Trial Tax Fund, a Nonmajor Governmental Fund, and \$30,668,000 was transferred to the Department of Public Health, a Nonmajor Governmental Fund. The remaining General Fund transfers were made in small amounts to comply with a variety of statutes.

Of the \$418,863,000 transferred out of the Education Trust Fund, \$332,694,000 was transferred in compliance with the appropriation acts. Of that amount, \$287,344,000 was transferred to supplement the operations of the Alabama Community College System. The Public Welfare Trust Fund received \$13,415,000 and the Mental Health Department received \$28,230,000. The remaining Education Trust Fund transfers were made in small amounts to comply with a various statutes.

The Alcoholic Beverage Control Board transferred \$12,347,000 to the General Fund and \$440,000 to the Public Welfare Trust Fund, which represents those funds' statutorily mandated share of the Board's profits.

The Alabama Trust Fund, in compliance with amendments to the *Constitution of Alabama of 1901*, is required to transfer a substantial portion of its earnings to other funds. In compliance with these amendments, the General Fund received \$259,952,000, and the Nonmajor Governmental Funds received \$79,124,000. Within the Nonmajor Governmental Funds, the Forever Wild Land Trust Fund received \$15,000,000, the County Government Capital Improvement Fund received \$16,349,000, the Municipal Government Capital Improvement Fund received \$16,349,000, the Alabama Capital Improvement Trust Fund received

For the Fiscal Year Ended September 30, 2013

\$23,833,000, the County and Municipal Capital Improvement Trust Fund received \$5,958,000, and the Senior Services Trust Fund received \$1,635,000.

Medicaid transferred out \$66,742,000 to the Public Welfare Trust Fund and \$689,413,000 to Nonmajor Governmental Funds to fund services provided to Medicaid recipients. Within the Nonmajor Governmental Funds, the Departments of Mental Health received \$455,350,000, the Department of Public Health received \$108,147,000, and the Department of Senior Services received \$87,131,000. The Department of Rehabilitation Services and Youth Services were the other Nonmajor Governmental Fund recipients.

NOTE 6 - RISK MANAGEMENT

A. Finance Department Division of Risk Management

The State manages risk through risk control and risk financing to minimize the adverse effects of certain types of losses. Risk financing includes self-insurance through several different funds. The State Insurance Fund provides coverage for state buildings and contents against fire and casualty losses. The General Liability Trust Fund insures state employees against the risk of loss from employment-related liability claims. The State Employee Injury Compensation Trust Fund was created by the 1994 legislature to provide benefits to eligible state employees for job-incurred injury. The State Insurance Fund, the General Liability Trust Fund, and the State Employee Injury Compensation Trust Fund are administered by the Division of Risk Management of the Department of Finance.

There was no significant reduction in insurance coverage by the three Division of Risk Management funds from the prior year. These funds do not have acquisition costs; therefore, no cost is amortized for the period. The funds use the accrual basis of accounting for reporting purposes. As required by GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," most investments are recorded at fair value. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Estimated claims liabilities are calculated by a professional actuary based on prior claims data. Non-incremental claims adjustment expenses have not been included as part of the liability for any of the funds.

The separately issued financial report of the Division of Risk Management contains additional note disclosures and supplementary information regarding claims development and liabilities.

1. State Insurance Fund

The State Insurance Fund (SIF) was established in 1923 and is under the *Code of Alabama 1975*, Section 41-15-1 for the purpose of insuring direct physical loss on buildings and contents in which title in whole or in part is vested in the State of Alabama or any of its agencies or institutions or in which funds provided by the State have been used for the purchases of land, construction of buildings, purchase or maintenance of any equipment, machinery, furniture, fixtures or supplies in such buildings and public school buildings together with the contents of all such buildings. All covered property shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. Salvage value coverage, used on property that is normally uninsurable, is determined by applying eight percent of the property's reconstruction value. City boards of education may insure school buildings and property either in the State Insurance Fund or with an insurance company, whichever in the opinion of such board provides the best coverage for such school buildings and property. The principles of private industry insurance companies are utilized to establish rates, premium discounts, and experience credits to result in equitable premiums charged to policyholders. Excess insurance and reinsurance is acquired to assure the solvency of the fund.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a \$10,000,000 cumulative loss annual deductible and a \$3,500,000 specific loss deductible for all perils except wind, and a \$20,000,000 specific loss deductible for wind losses. Excess insurance covers claims exceeding the deductible with a \$200 million limit for named wind storms and a \$1.5 billion limit for all other perils. Second event wind coverage for \$19,000,000 in excess of \$1,000,000 is purchased to provide additional protection to the SIF. Payments received in fiscal years 2013, 2012, and 2011 for settlements in excess of deductibles totaled \$0, \$18,500,000, and \$50,917,000, respectively.

The following table presents the changes in claims liabilities for the past two years:

(Amounts in Thousands)	September 30,	
	2013	2012
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 11,492	\$ 14,577
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	30,710	10,502
Increase (Decrease) in provision for insured events of prior years	16,379	(2,057)
Total incurred claims and adjustment expenses	47,089	8,445
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(16,000)	(3,842)
Claims and adjustment expenses attributable to insured events of prior years	(24,253)	(7,688)
Total payments	(40,253)	(11,530)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 18,328</u>	<u>\$ 11,492</u>

A schedule of ten-year loss development information for the State Insurance Fund is in the Required Supplementary Information section of the CAFR.

For the Fiscal Year Ended September 30, 2013

2. General Liability Trust Fund

The General Liability Trust Fund (GLTF) was established in 1984 to protect state employees from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of state employment. Claims are investigated and defended through the Office of the Attorney General. Auto liability is fully reinsured and the re-insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and commensurate premiums assigned to state agencies. Investment activities are an essential part of the General Liability Trust Fund's ability to maintain lower-cost employee liability coverage. Funds in excess of those needed for immediate operations are invested to maximize return and keep premiums down.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Excess insurance was procured effective January 15, 2011. The coverage will aggregate paid losses in excess of \$500,000 per claim. When these losses exceed \$3,000,000 in a policy year, claims in excess of the \$500,000 deductible will be reimbursed up to a maximum recovery of \$10,000,000 in any policy year. Payments received in fiscal years 2013, 2012 and 2011 for settlements in excess of deductibles for old claims (prior to April 2002) totaled \$979,002, \$0, and \$199,000, respectively.

The following table presents the changes in claims liabilities for the past two years:

(Amounts in Thousands)	September 30,	
	2013	2012
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 27,650	\$ 28,547
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	7,000	7,600
Increase (Decrease) in provision for insured events of prior years	(3,353)	(2,148)
Total incurred claims and adjustment expenses	3,647	5,452
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(604)	(608)
Claims and adjustment expenses attributable to insured events of prior years	(3,547)	(5,741)
Total payments	(4,151)	(6,349)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 27,146</u>	<u>\$ 27,650</u>

3. State Employee Injury Compensation Trust Fund

The State Employee Injury Compensation Trust Fund (SEICTF) was created by the legislature on October 1, 1994. Its purpose is to provide benefits to eligible state employees for job-incurred injury. Benefits under SEICTF are administered by the Department of Finance, Division of Risk Management in accordance with the Alabama Administrative Code and include all reasonable medical expenses arising from a job-incurred injury, lost wages (including benefits for time lost from the job), and benefits to dependents of employees who are fatally injured on the job. Specifically excluded from coverage are employees of the State Port Authority, educational institutions, and local boards of education. A key element in assuring effective and efficient operation of SEICTF was the creation of a statewide medical provider network with a focus on professionals who are experts in treating occupational injury.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not been reported. This liability and expense is determined by a professional actuary.

The following table presents the changes in claims liabilities for the past two years:

(Amounts in Thousands)	September 30,	
	2013	2012
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 28,184	\$ 30,459
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	5,950	5,867
Increase (Decrease) in provision for insured events of prior years	2,015	(2,597)
Total incurred claims and adjustment expenses	7,965	3,270
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(2,330)	(2,354)
Claims and adjustment expenses attributable to insured events of prior years	(4,398)	(3,191)
Total payments	(6,728)	(5,545)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 29,421</u>	<u>\$ 28,184</u>

The Department of Transportation finances its own risk for state employee injury compensation. This table includes the changes in claims liabilities for the Department of Transportation as well as Risk Management. Claims liabilities at the beginning of the year for Transportation totaled \$9,822,000, and total claims payments were \$2,147,000 in 2013. The Department of Transportation had \$10,149,000 in claims liabilities at the end of the year.

For the Fiscal Year Ended September 30, 2013

B. Health Insurance Plans**1. State Employees' Insurance Plan**

The State Employees' Insurance Plan (SEIP) was established in 1965 by Alabama Act No. 833 to provide health insurance benefits for state employees. The SEIP is administered by the State Employees' Insurance Board (SEIB). The monthly premiums for employee and dependent coverage are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plans. The State pays a monthly premium for each employee and the employee pays the established dependent premium. The SEIB establishes claims liabilities based on estimates of the ultimate cost of claims (including estimated future retroactive claims adjustments) that have been reported but not settled, and of estimated claims that have been incurred but not reported. Actual claims costs ultimately incurred may vary from estimated claims liabilities should the nature and frequency of actual claims vary from historical claims experience on which the estimates are based. Adjustments of the estimated claims liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

The SEIB also administers a local government health insurance plan (LGHIP) in the same manner as the SEIP. The following table represents changes in those aggregate liabilities for SEIB during the past two years (approximately 56 percent of claim liabilities are related to the SEIP and the remainder to the LGHIP):

(Amounts in Thousands)	September 30,	
	2013	2012
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 42,379	\$ 49,666
Incurring claims and adjustment expenses:		
Provision for insured claims of the current year	435,691	420,687
Adjustment to estimated claims incurred but not reported at end of year	(1,708)	(1,104)
Total incurred claims and adjustment expenses	433,983	419,583
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(404,688)	(400,229)
Claims and adjustment expenses attributable to insured claims of prior years	(29,160)	(26,641)
Total payments	(433,848)	(426,870)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 42,514</u>	<u>\$ 42,379</u>

At year-end, unpaid claims liabilities are computed using the gross method without discounting the accrued claims payable. The separately issued financial report contains note disclosures and supplementary information regarding claims development.

2. Public Education Employees' Health Insurance

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 by the provisions of *Act 83-455* to provide a uniform plan of health insurance for current and retired employees of public educational institutions and to provide a method of funding the benefits related to the plan. The plan is administered by the Public Education Employees' Health Insurance Board (PEEHIB).

The State contributes a specified amount monthly to each respective participating school system. Each participating school system must then pay the employer rate to the PEEHIF each month. The current employer rate per participant of \$714 remained the same for 2013 and 2012, respectively. In addition to the employer payments each month, the employee pays certain premium amounts. PEEHIB established claims liabilities based on the actual cost of claims reported but not settled, and estimates of claims that have been incurred but not reported. Actual claims costs ultimately incurred may vary from estimated claims liabilities should the nature and frequency of actual claims vary from historical claims experience on which the estimates are based. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Note that \$517,000 of unpaid claims at year-end is classified as due to the primary government.

The following table presents the changes in claims liabilities during 2013 and 2012:

(Amounts in Thousands)	September 30,	
	2013	2012
Unpaid claims and claim adjustment expense at beginning of year	\$ 64,502	\$ 72,421
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	776,255	741,837
Increase (Decrease) in provision for insured events of prior years	(2,196)	(1,852)
Total incurred claims and adjustment expenses	774,059	739,985
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(713,057)	(677,334)
Claims and adjustment expenses attributable to insured events of prior years	(62,305)	(70,570)
Total payments	(775,362)	(747,904)
Total unpaid claims and adjustment expenses at end of year	<u>\$ 63,199</u>	<u>\$ 64,502</u>

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

For the Fiscal Year Ended September 30, 2013

3. Alabama Health Insurance Plan

The Alabama Health Insurance Plan (AHIP) was established to provide health insurance coverage to eligible individuals as an alternative to federal oversight required in the Health Insurance Portability and Accountability Act of 1996. AHIP was established in 1997 under Regulation 115 pursuant to Act 97-713, codified as Section 27-52-1 in the *Code of Alabama 1975*, and is governed by an eight member Board of Directors. The plan provides major medical benefits limited to \$1,000,000 for the lifetime of a participant. The plan provides that participants pay monthly premiums for health insurance coverage. Coverage is also available for eligible dependents of participants. Premiums are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plan.

In addition to funding via premiums, Regulation No. 115 authorizes the Plan to recoup losses by assessing participating insurers based on their health insurance premiums written in the State for any year in which the Plan incurs a deficit. Assessments in excess of actual losses are to be held in interest bearing accounts and used by AHIP to offset future losses or to reduce future assessments. AHIP obtained funding from assessments totaling \$10,549,000 and \$4,000,000 in 2013 and 2012, respectively.

AHIP established claims liabilities based on estimates of the ultimate cost of claims (including future retroactive claims adjustments) that have been reported but not settled and of estimated claims that have been incurred but not reported. The estimation of claims costs depends on many factors including historical loss experience. Adjustments of the estimated claims liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

The following table presents the changes in claims liabilities during the past two years:

(Amounts in Thousands)	September 30,	
	2013	2012
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 3,098	\$ 3,385
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	20,106	21,955
Increase (Decrease) in provision for insured events of prior years	(152)	153
Total incurred claims and adjustment expenses	19,954	22,108
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(18,382)	(20,616)
Claims and adjustment expenses attributable to insured events of prior years	(1,756)	(1,779)
Total payments	(20,138)	(22,395)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 2,914</u>	<u>\$ 3,098</u>

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

4. Alabama State Port Authority

The Alabama State Port Authority is partially self-insured with respect to workers' compensation claims. Each claim for a loss in excess of the \$1,000,000 self-insured retention is covered up to a \$10 million policy limit. The liability for uninsured claims includes an estimated amount for claims that have been incurred but have not been reported. The following represents changes in those aggregate liabilities for the Authority during the past two years:

(Amounts in Thousands)	September 30,	
	2013	2012
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 2,766	\$ 2,830
Provision for claims	919	412
Total payments	(431)	(476)
Reported claims payable and estimated claims payable incurred but not reported at end of year	<u>\$ 3,254</u>	<u>\$ 2,766</u>

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

NOTE 7 - RETIREMENT PLANS

A. Retirement Systems of Alabama

The Retirement Systems of Alabama (RSA) administers the following three retirement programs for the benefit of state employees and public education employees: Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund.

1. Plan Descriptions

The Teachers' Retirement System of Alabama (TRS) is a cost-sharing multiple-employer defined benefit pension plan, established as of September 15, 1939, under the provisions of the 1939 *Alabama Acts* 419. The TRS provides retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The Board of Control has responsibility for the general administration and operation of the TRS.

The Employees' Retirement System of Alabama (ERS) is an agent multiple-employer defined benefit pension plan established as of October 1, 1945, under the provisions of the 1945 *Alabama Acts* 515. The ERS provides retirement allowances and other specified benefits for state employees, state police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The Board of Control is responsible for the general administration and operation of the ERS.

The Judicial Retirement Fund (JRF) is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, established under the 1973 *Alabama Acts* 1163. The JRF provides retirement allowances and other specified benefits for any Justice of the Supreme Court of Alabama, Judge of the Court of Civil Appeals, Judge of the Court of Criminal Appeals, Judge of the Circuit Court, or office holder of any newly created judicial office receiving compensation from the State Treasury. Act Number 1205 of the legislature of 1975 supplemented the provisions of Act Number 1163 and enlarged the scope and coverage of the JRF to include District and Probate Judges. The Board of Control of the ERS administers and operates the JRF.

The TRS, ERS, and JRF provide retirement benefits as well as death and disability benefits as established by State law. Changes to benefits, including ad hoc cost of living adjustments, must be established by statute. Benefits for TRS and ERS members vest after 10 years of credited service. Teachers and state employees who retire after age 60 (52 for state police) with 10 years of credited service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service retirement benefits are calculated by two methods with the member receiving payment under the method which yields the highest monthly benefit: (1) minimum guaranteed, or (2) formula. Under the formula method, members of TRS and ERS (except state police) are allowed 2.0125 percent of their final average salary (highest 3 of the last 10 years) for each year of service. State police are allowed 2.875 percent for each year of state police service in computing the formula method. Disability retirement benefits are calculated in the same manner. JRF benefits vest from five to eighteen years. Except for justices or judges who were either disabled, elected prior to July 30, 1979, or have at least 25 years of credited service, no justice or judge shall be

For the Fiscal Year Ended September 30, 2013

eligible to receive judicial service retirement pay prior to attaining sixty years of age. Service retirement benefits for justices and judges are dependent upon the particular office held in the judicial branch of government. A retirement benefit is payable upon the request of any member who has: (1) 25 years of credited service (regardless of age), (2) completed 12 years of credited service and has attained age 65, (3) completed 15 years of credited service and whose age plus service equals or exceeds 77, (4) completed 10 years of credited service and has attained age 70, or (5) been elected prior to July 30, 1979 and has 18 years of service (regardless of age). A member eligible to retire who has not requested his retirement benefit to commence at the end of the term in which his seventieth birthday occurs is entitled only to the refund of his contributions (except for members with at least 25 years of credited service). The service retirement benefit for circuit, appellate, and probate judges is 75 percent of the member's salary at the time of separation from service. The service retirement benefit for a district judge is 75 percent of the position's salary immediately prior to retirement.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for TRS and ERS members hired on or after January 1, 2013. Tier 2 TRS and ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of credited service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS and ERS (except State Police) are allowed 1.65 percent of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375 percent for each year of state police service in computing the formula method.

A pre-retirement death benefit is offered in which the account is credited with TRS and ERS employer contributions and investment income on such funds. The pre-retirement death benefit (group term life insurance) is paid in addition to the return of member contributions upon the death of an active TRS or ERS member who has completed at least one year of active membership in the system and whose date of death was within 180 days of such member's last date of actual service. However, a surviving spouse beneficiary of a deceased member who was eligible for service retirement may elect a survivor allowance in lieu of this benefit. The pre-retirement death benefit is equal to the annual earnable compensation of the member as reported to the system for the preceding year ending June 30, for TRS and September 30, for ERS. There is no pre-retirement death benefit available for JRF members.

When a member withdraws from service prior to becoming vested, the member's accumulated contributions and a portion of accumulated interest credited to the Annuity Savings account are returned to the member. The portion of accumulated interest, which by law is not payable to the member, is transferred to the Expense Fund.

RSA issued a stand-alone financial report that includes financial statements and required supplementary information (including the six-year trend) for the year ended September 30, 2013. Copies may be obtained by writing to:

The Retirement Systems of Alabama
P.O. Box 302150
201 South Union Street
Montgomery, AL 36130-2150

State Law established the contribution requirements and must be amended by state statute. The law provides that the Boards of Control engage an actuary to prepare an annual valuation of the assets and liabilities of the various reserve funds.

At September 30, 2013, the number of participating employers in each system was as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Cities	-	290	-
Counties	-	65	67
Other Public Entities	-	518	-
Universities	13	-	-
Post-Secondary Institutions	31	-	-
City & County Boards of Education	133	-	-
State Agencies & Other	32	1	1
Total	<u>209</u>	<u>874</u>	<u>68</u>

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The TRS, ERS, and JRF financial statements are prepared using the accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. The financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board. Under these requirements, the TRS, ERS, and JRF are considered component units of the State of Alabama.

b. Investments

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer and Investment Committee, in bonds, mortgage-backed securities, common and preferred stock, or other investment vehicles with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use. All plan assets are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the prevailing interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals. As of September 30, 2013, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 8.10 percent and 8.91 percent, respectively, of the TRS and ERS investments.

3. Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest available actuarial valuations (September 30, 2012 for TRS, ERS and JRF), the estimated present value of benefits payable to retired members, beneficiaries and active members. The actuarial valuations for the TRS, ERS, and JRF are prepared using the entry age method. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by statute, the TRS, ERS, and JRF provide for employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) that accumulate sufficient assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, and a portion to finance administrative costs.

For the September 30, 2012 actuarial valuations for TRS, ERS, and JRF, the normal contribution is determined using the “entry age normal” method. Under this method, a calculation is made to determine the uniform and constant percentage rate of the employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf. The amortization method is level percent open for the September 30, 2012 actuarial valuations for the TRS, ERS, and JRF. The remaining amortization period is 27 years for the JRF and 30 years for TRS, ERS-state employees, and ERS-state policemen.

The required contribution rate of active plan members for TRS and ERS (excluding state policemen, and certified firefighters, police officers and correctional officers) was 7.5 percent and 6.0 percent of earnable compensation for fiscal year 2013 for Tier 1 and Tier 2 members, respectively. State policemen were required to contribute 10 percent of earnable compensation. JRF members and certified firefighter, police officer, and correctional officer members of the TRS and ERS were required to contribute 8.5 percent of earnable compensation. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS and ERS are required by statute to contribute 7 percent of earnable compensation.

For fiscal year 2013 the required contribution rate of the employer for ERS (state employees) was 10.12 percent and 10.04 percent for Tier 1 and Tier 2, respectively. The employer contribution rate of the employer for TRS was 10.08 percent for Tier 1 and 9.44 percent Tier 2. The employer contribution rate for ERS state policemen Tier 1 and Tier 2 was 31.61 percent and 25.32 percent, respectively. The employer contribution rate for JRF was 32.06 percent.

For the Fiscal Year Ended September 30, 2013

a. TRS

A schedule of Annual Required Contributions (ARC) and the percentage contributed for the TRS (cost-sharing plan) is shown below:

	Annual Required Contribution *		
	2013	2012	2011
Primary Government	\$ 42,567	\$ 43,622	\$ 56,050
Major Discretely Presented Component Units			
Auburn University	35,742	34,144	41,774
University of South Alabama	21,879	23,381	31,420
University of Alabama	121,497	120,053	143,026

* Amounts in Thousands. In all instances, 100% of the ARC was paid.

b. JRF

The State is required by law to make all employer contributions on behalf of the local governments for JRF. The funded status of the JRF (Cost-sharing plan with a special funding situation) as of the latest actuarial valuation is as follows:

(Amounts in Thousands)	Judicial Retirement Fund
Actuarial Valuation Date	9/30/2012
Actuarial Accrued Liability (AAL)	\$ 380,470
Actuarial Value of Assets	234,300
Unfunded Actuarial Accrued Liability (UAAL)	\$ 146,170
Funded Ratio	61.6%
Covered Payroll	\$ 42,446
UAAL as a Percentage of Covered Payroll	344.4%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Contributions in 2013 for JRF were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2011. The actuarial methods and assumptions for September 30, 2011 and the latest actuarial valuation September 30, 2012 are as follows:

Actuarial Methods for JRF

Valuation Date:	September 30, 2012	September 30, 2011
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	5 Yr Smoothed Market	5 Yr Smoothed Market
Amortization Method:	Level Percent Open	Level Percent Open
Remaining Amortization Period:	27 years	30 years

Actuarial Assumptions for JRF

Investment Rate of Return:	8%*	8%*
Projected Salary Increases:	4%*	4%*
Cost of Living Increases:	3.25%**	3.25%**

*Includes inflation at 3.0%

**3.25% per year for certain members hired prior to July 30, 1979 and for spouses' benefits subject to increase.

The annual pension cost for the JRF was as follows:

Three-Year Trend Information for JRF

(Amounts in Thousands)

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	10,906	100	0
2012	10,747	100	0
2013	13,903	100	0

c. State Employer Segment of ERS

The funded status of the State employer segment of ERS as of the latest actuarial valuation is as follows:

(Amounts in Thousands)	<u>Employees' Retirement System State Employees and State Policemen</u>
Actuarial Valuation Date	9/30/2012
Actuarial Accrued Liability (AAL)	\$ 7,153,509
Actuarial Value of Assets	4,445,771
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,707,738</u>
Funded Ratio	62.1%
Covered Payroll	\$ 1,313,096
UAAL as a Percentage of Covered Payroll	206.2%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Contributions in 2013 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2011. The actuarial methods and assumptions for September 30, 2011 and the latest actuarial valuation September 30, 2012 are as follows:

Actuarial Methods for ERS (State Employees and State Policemen)

Valuation Date:	September 30, 2012	September 30, 2011
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	5 Yr Market-Related Value	5 Yr Smoothed Market
Amortization Method:	Level Percent Open	Level Percent Open
Remaining Amortization Period:	30 years	30 years

Actuarial Assumptions for ERS (State Employees and State Policemen)

Investment Rate of Return:	8%*	8%*
Projected Salary Increases:	3.75% - 7.25%*	3.75% - 7.25%*
Cost of Living Increases:	None	None

*Includes inflation at 3.0%

For the Fiscal Year Ended September 30, 2013

The annual pension cost for the State employer segment of ERS was as follows:

Three-Year Trend Information for the State employer segment of ERS

(Amounts in Thousands)

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	183,211	100	0
2012	136,554	100	0
2013	142,785	100	0

B. Other Pension Plans

The State Port Authority administers two single-employer pension plans, the Hourly Plan and the Terminal Railway Plan, for a small number of hourly workers and railway employees. The Peace Officers Annuity and Benefit Fund is a cost-sharing multiple-employer defined benefit pension plan that provides a small additional pension benefit to state and local peace officers beyond that which is paid by the Employees' Retirement System. The Clerks and Registers Supernumerary Fund is a cost-sharing multiple-employer defined benefit pension plan that provides pension benefits to circuit clerks and registrars of courts. These pension plans are not material to the State.

NOTE 8 - DEFERRED COMPENSATION

The State offers employees the opportunity to participate in optional deferred compensation plans created in accordance with Internal Revenue Service Code (IRC) Section 457. The plans are available to all state employees and permits them to defer a portion of their salary until future years. The current value of the employee contributions may be withdrawn upon termination, retirement, death, or an unforeseeable emergency.

It is the opinion of the State's legal counsel that the State has no liability for losses under these plans but does have the duty of due care that would be required of an ordinary prudent investor.

The Public Employees' Individual Retirement Account Fund/Deferred Compensation Plan (RSA-1) is administered and operated by its Board of Control. All members of the Teachers' Retirement System of Alabama, Employees' Retirement System of Alabama, Judicial Retirement Fund, employees of employers eligible to participate in the Employees' Retirement System pursuant to provisions of Code of Alabama 1975 Section 36-27-6, and public officials and employees of the State of Alabama or any political subdivision thereof (collectively, participating employers), are eligible to participate in this plan. At September 30, 2013, net position of the plan totaled \$1,663,466,000.

State employees may also participate in the Alabama Deferred Compensation Plan sponsored by the Personnel Board and administered by Great-West Retirement Services. The plan contract requires the assets to be held in trust for the benefit of plan participants. At September 30, 2013, net position of the plan totaled \$488,380,000.

NOTE 9 - POSTEMPLOYMENT HEALTH BENEFITS

In addition to the pension benefits described in the Retirement Plans note, the State provides postretirement health care benefits, in accordance with *Code of Alabama 1975*, Section 36-29-10, to all retired state employees through the State Employees' Health Insurance Plan (SEHIP) and, in accordance with *Code of Alabama 1975*, Section 16-25A-17, to all retired employees of state educational institutions through the Public Education Employees' Health Insurance Plan (PEEHIP). The retiree portion of the SEHIP is accounted for through the Alabama Retired State Employees' Health Care Trust and the retiree portion of the PEEHIP is accounted for through the Alabama Retired Education Employees' Health Care Trust (see plan description). Employees covered under these two plans who retire from active service and begin receiving monthly benefits from the Employees' Retirement System of Alabama or from the Teachers' Retirement System of Alabama may elect to continue coverage under the group insurance plan by consenting to have deducted from their monthly benefit payment the difference in the total cost of their insurance coverage and

the portion authorized to be expended by the SEHIP or PEEHIP for coverage of such retired employees. The State Employees' Insurance Board administers SEHIP, and the Public Education Employees' Insurance Board administers PEEHIP. In order to fund the ongoing costs of these other postemployment benefits (OPEB), the State has established two trust funds as described below to comply with GASB Statements 43 and 45.

A. Plan Descriptions

The Alabama Retired Education Employees' Health Care Trust is a multiple employer cost-sharing defined benefit health care plan established as an irrevocable trust in 2007 by Constitutional Amendment 798. As of the latest actuarial evaluation, there were 197 participating employers.

The Alabama Retired State Employees' Health Care Trust is a single employer defined benefit health care plan established as an irrevocable trust in 2007 by Constitutional Amendment 798.

The Public Education Employees' Health Insurance Board issued a stand-alone plan financial report for the Alabama Retired Education Employees' Health Care Trust that includes financial statements and detailed disclosures for the year ended September 30, 2013. A copy may be obtained by writing to:

The Public Education Employees' Health Insurance Board
P.O. Box 302150
201 South Union Street
Montgomery, AL 36130-2150

The State Employees' Insurance Board issued a stand-alone financial report that includes the Alabama Retired State Employees' Health Care Trust financial statements and detailed disclosures for the year ended September 30, 2013. A copy may be obtained by writing to:

State Employees' Insurance Board
P. O. Box 304900
201 South Union Street, Suite 200
Montgomery, AL 36130-4900

B. Summary of Significant Accounting Policies

1. Basis of Accounting

Both Trusts are "other employee benefits trust funds" that operate under the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

2. Investments

All plan assets are carried at fair value except short-term investments which are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Mortgage-backed securities are reported based on estimated future principal and interest payments discounted at the prevailing interest rate for similar instruments. Investments not traded on exchanges are valued based on the selling price of similar investments sold in the open market. In those instances where there are no similar investments sold in the open market, an appraisal is performed to determine the fair value of the investments.

C. Funding Policy

The cost of the teachers' health care benefits is paid from the regular appropriations made to individual education entities. The retired employee allocation is funded through the active employee premium. Retirees who are eligible for Medicare benefits must pay \$10 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay \$151 per month for the coverage. Additional premiums are paid for dependents. Optionally, the retirees may use this insurance allocation to purchase two plans of optional insurance offered by PEEHIP with no out-of-pocket cost. The Medicare Part D subsidy for fiscal year 2013 totaled \$6,276,000. Of this amount, \$1,296,000 was an on-behalf payment for the primary government of the State of Alabama and \$1,163,000 on-behalf payments of the major discretely presented component units of the State of Alabama. Most of the

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2013

remaining amount was on-behalf payments for local school boards that are not part of the State's reporting entity. The Employer Group Waiver Plan subsidy for fiscal 2013 year totaled \$28,340,000.

The State provides health care benefits for retired state employees through SEHIP. For retirees who retired prior to October 1, 2005, the State pays 100 percent of the premium for a retiree who is over 65 and eligible for Medicare. The State pays a portion of the premium for a retiree who is under 65. Under the SEHIP statute, the State contribution per month per retiree is funded on a pay-as-you-go basis through the active employee premiums each agency pays for its active employees. COBRA insurance is also available to state employees who terminate state service, but the employee is liable for the premiums. For retirees who retire other than for disability after October 1, 2005, the employer contribution is less for each year under twenty-five years of creditable coverage and more for each year over 25. For retirees on or after January 1, 2012, the employer contribution is also less for each year under the Medicare age. The retiree is responsible for the amount of contribution not covered by the State. Also, the State may make additional contributions. Additional funds were contributed during the fiscal year in the amount of \$1,000,000 as authorized by the SEHIP Board. The Medicare Part D and Employer Group Waiver Plan subsidy were \$1,924,000 and \$6,870,000, respectively. The Employer Group Waiver Plan and Medicare Part D retiree drug subsidy for the primary government, the component units, and the fiduciary funds was \$8,620,000, \$92,000, and \$82,000, respectively, for fiscal year 2013.

1. Annual OPEB Cost and Net OPEB Obligation

Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, requires additional reporting and disclosures for OPEB plans.

The PEEHIP is a cost-sharing multiple-employer plan. Contribution requirements are determined by statute. In all instances, the state and its discretely presented component units paid 100 percent of the statutorily determined contribution requirements. Therefore, the State has no net OPEB obligation related to the PEEHIP.

The SEHIP is a single employer plan. The following OPEB amounts are for the SEHIP:

(Amounts in thousands)	Primary Government	Component Units	Fiduciary
Annual required contribution	\$ 255,627	\$ 2,988	\$ 2,187
Interest on net OPEB obligation	34,343	401	294
Adjustment to ARC	(24,514)	(286)	(210)
Annual OPEB cost	265,456	3,103	2,271
Contributions made	(112,344)	(1,313)	(961)
Increase in net OPEB obligation	153,112	1,790	1,310
Net OPEB obligation, beginning of year	687,320	8,184	5,259
Net OPEB obligation, end of year	<u>\$ 840,432</u>	<u>\$ 9,974</u>	<u>\$ 6,569</u>

Percentage of annual OPEB cost contributed: 42%

The net OPEB obligation is liquidated proportionately by all funds paying employee health care benefits through SEHIP.

2. Funded Status and Funding Progress

The funded status of the plan for the retired state employees as of the most recent actuarial valuation dated September 30, 2012, was as follows:

Retired State Employees' Health Care Trust (SEHIP)

(Amounts in thousands)

Actuarial Valuation Date	09/30/2012
Actuarial Accrued Liability (AAL)	\$ 3,215,956
Actuarial Value of Assets	(126,670)
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 3,089,286</u></u>
Funded Ratio	3.94%
Covered Payroll	\$ 1,385,013
UAAL as a Percentage of Covered Payroll	223.05%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

3. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

The actuarial methods and significant assumptions used to determine the ARC for fiscal year 2013 are as follows:

Actuarial Methods for Retired State Employees' Health Care Trust

Valuation Date:	September 30, 2010
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value of Assets
Amortization Method:	Level Percent of Pay
Remaining Amortization Period:	30 Years
Period Closed/Open:	Open

Actuarial Assumptions for Retired State Employees' Health Care Trust

Investment Rate of Return:	5%
Medical Cost Trend Rate:	
Medicare Eligible	8.5%
Pre-Medicare	10.5%
Ultimate Trend Rate:	
Medicare Eligible	5%
Pre-Medicare	5%
Year of Ultimate Trend Rate:	2017
Dental Trend Rate:	5%

*Includes Inflation at 4.5%

For the Fiscal Year Ended September 30, 2013

The assumed investment rate of return reflects the fact that as of September 30, 2010 the Plan had assets in a trust solely to provide benefits to retirees and their beneficiaries. A policy has been established to make regular contributions representing a partial payment toward the ARC each year. If the Plan starts fully pre-funding benefits, the discount rate may be increased to reflect equity investment the fund may have after full pre-funding begins. This investment rate of return assumption is independent of the inflation assumption.

4. Trend Information

The following table details employer contributions to the Alabama Retired Education Employees' Health Care Trust:

(Amounts in Thousands)	Statutorily Required Contribution*		
	2013	2012	2011
Primary Government	\$ 14,872	\$ 17,303	\$ 15,223
Major Component Units			
Auburn University	8,634	9,766	10,604
University of South Alabama	7,130	7,607	7,598
University of Alabama	25,054	26,734	28,601

* 100% of the statutorily required contributions were contributed.

The employer contributions and annual OPEB cost of the SEHIP is presented in the table below.

(Amounts in Thousands)				
	Employer Contributions	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	115,908	217,935	53%	526,310
2012	110,768	285,221	39%	700,763
2013	114,618	270,830	42%	856,975

NOTE 10 - RELATED ORGANIZATIONS

The State's officials are responsible for appointing a majority of the members of the boards of other organizations, but the State's accountability for these organizations does not extend beyond making appointments. The State appoints the nine-member board of the Private Colleges and Universities Facilities Authority and a majority of the eleven member board of the Alabama Family Trust Corporation.

NOTE 11 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

A. Joint Ventures

The Tennessee-Tombigbee Waterway Development Authority is a joint venture created by a compact executed between the State of Alabama and the States of Mississippi, Tennessee, and Kentucky. Its purpose is to develop and promote a navigable waterway between the Tennessee and Tombigbee rivers and provide a nine foot deep navigable channel. The State of Alabama provided \$100,000 and \$54,000 to the Authority for fiscal year 2013 and fiscal year 2012, respectively. The fiscal year of the Tennessee-Tombigbee Waterway Development Authority ends on December 31. Key financial data for the Authority is shown below.

(Amounts in Thousands)		
	2013	2012
Fund Balance	\$ 465	\$ 367
Revenues	408	338
Expenditures	310	297

Complete financial statements for the Authority can be obtained at P. O. Drawer 671, Columbus, MS 39703.

B. Jointly Governed Organizations

The Historic Chattahoochee Commission is a jointly governed organization that was created by a compact executed between the State of Alabama and the State of Georgia. The Commission had \$119,000 in revenues in 2013.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Montgomery Downtown Redevelopment Authority, a public corporation, issued \$65,200,000 of bonds in 1988 to construct the Gordon Persons office building. These bonds were partially refunded in 1992 with a new bond issue of \$66,150,000. The Series 1992 bonds were refunded in 2002 with a new bond issue of \$43,265,000. The bonds' final maturity was on October 1, 2013. Members of the board of directors of the Authority are appointed by officials of the City of Montgomery, but the Authority is not a part of the City's reporting entity and is therefore considered a separate "stand-alone government." The bonds issued constitute conduit debt obligations of the Authority, and are therefore reported as revenue bond debt of the State. The Authority has also issued conduit debt on behalf of other governments and third parties, none of which is reported in these financial statements. The State operates and maintains the building and has entered into an agreement with the Authority whereby the rental payments from state agencies occupying the building are paid to the Authority, which then uses the money to pay the bond principal and interest. The payments to the Authority are reported by the State as debt principal and interest expenditures.

These financial statements exclude certain foundations and other organizations affiliated with state colleges and universities. While the purpose of these foundations and associations is to operate exclusively for the benefit of the colleges and universities, such organizations do not constitute component units under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity", GASB Statement No. 39, an amendment to GASB 14, and GASB Statement No.61, an amendment of GASB Statements No.14 and No. 39. These are: the University of Alabama at Huntsville Eminent Scholar Foundation, the Alabama Engineering Foundation, the UAH Alumni Association, the University of South Alabama Medical Science Foundation, the North Alabama Center for Educational Excellence, the University of Alabama Birmingham Educational Foundation (UABEF), the University of Alabama Health Services Foundation, P.C. (HSF), the University of Alabama Birmingham Health System, and the Valley Foundation.

The UABEF made contributions to the University of Alabama at Birmingham (UAB) of \$6,766,000 during the 2013 fiscal year. UABEF leases certain facilities to UAB with annual rental expense of approximately \$2,004,000 for 2013.

For the Fiscal Year Ended September 30, 2013

HSF's primary purpose is to provide a group medical practice for physicians who are members of the regular faculty of the School of Medicine at UAB and serve on the University of Alabama Hospital's medical staff. The operating revenues of UAB include approximately \$23,807,000 of funding from HSF in 2013, which is used to support the educational and research activities of UAB.

UAB and HSF have entered into an agreement which established a common management group, the UAB Health System. The purpose of this agreement is to provide common management for their existing and future health care delivery operations. UAB contributed \$8,558,000 during 2013 to the UAB Health System Board.

The South Alabama Medical Science Foundation exists for the purpose of promoting education and research at the University of South Alabama. The Foundation reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$711,000 for 2013.

NOTE 13 - CONTINGENCIES

A. Grants

The State receives federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes.

Federal grantor agencies from time to time review state records to determine whether the State has complied with the terms and conditions of grant agreements and federal regulations. Any disallowance resulting from a federal audit may become a liability of the State but cannot be reasonably estimated at this time. It is believed that any liability resulting from a determination of noncompliance will not materially affect the State's financial condition.

B. Tobacco Settlement

As a party to a successful multi-state legal settlement with the tobacco industry, the State received \$141 million in fiscal year 2013, \$94 million in fiscal year 2012, \$92 million in fiscal year 2011, \$97.2 million in fiscal year 2010, \$116.6 million in fiscal year 2009, \$106.1 million in fiscal year 2008, \$99.0 million in fiscal year 2007, \$94.6 million in fiscal year 2006, \$101.9 million in fiscal year 2005, \$102.6 million in fiscal year 2004, \$118.6 million in 2003 and \$224.7 million in both 2002 and 2001. This settlement money is intended to compensate the State for smoking related health care costs incurred by various state programs. Because the exact amount of the future settlement amounts is not measurable, no receivable for these amounts is recorded in these financial statements.

C. Litigation

The State is a party to numerous legal proceedings that occur in the normal course of governmental operations, some of which involve potentially significant amounts. The lawsuits involving potentially significant amounts are described below. Other proceedings involving amounts that, when aggregated, have no material effect on the accompanying government-wide financial statements, may have an impact on the related individual state agencies and funds. The monetary impact, if any, of litigation resulting in adverse rulings is usually addressed in subsequent state budgets and modifications of state laws. Due to the uncertainty involving the ultimate outcome and amounts of the unresolved litigation described below, no provision for potential liability has been recorded in the accompanying financial statements.

Blaylock, et al. v. American Tobacco Co., et al., filed in the Circuit Court of Montgomery County is an arbitration proceeding concerning the Master Settlement Agreement (MSA) that was negotiated with the tobacco industry in 1998. The MSA was entered into as a settlement of litigation brought against the participating tobacco products manufacturers by the Attorney Generals of the signatory states to reimburse the states for health care expenses in treating their citizens affected by the use of tobacco products sold by the manufacturers. The MSA contains a provision that allows an adjustment to reduce the payments by the tobacco industry if the MSA has been determined to be a significant factor in the loss of market share by the manufacturers. States will not be subject to a reduction in their payments if it is determined that they diligently enforced their escrow statutes. The 2003 payment has a potential adjustment of \$1.2 billion nationwide that could be applied to the states that are determined not to have

diligently enforced their escrow statutes during 2003. The question of whether the state was diligent was to be determined by an arbitration panel consisting of three retired Article III federal judges. Before Alabama's arbitration hearing began, a settlement was reached between 22 states including Alabama and the participating manufacturers resolving diligent enforcement determinations through 2012. This settlement provided Alabama with a "one-time" distribution on April 15, 2013 of approximately 48 million dollars in addition to its normal distribution. Six states that did not diligently enforce their escrow statutes must pay the 2003 adjustment to the participating manufacturers for all states. There are several remitter actions nationally attacking the settlement as well as the arbitration awards. If the settlement is not upheld, Alabama's potential share of the non-participating manufacturers' adjustment could be as much as \$80 million if Alabama is subsequently determined to have not diligently enforced its escrow statutes during 2003. Additional arbitration proceedings would be likely for all of the subsequent years.

Lynch, et al. v. State of Alabama, et al., is a class action filed in the U.S. District Court, Northern District of Alabama, on March 13, 2008. This class action suit is brought on behalf of public school students who maintain that their civil rights have been violated by the manner in which Alabama's public schools are funded. The plaintiffs are seeking a declaratory judgment that the property tax restrictions in the Alabama Constitution violate Title VI of the Civil Rights Act, 42 U.S.C. Section 2000d et seq., and the Constitution of the United States. They also seek an injunction against enforcing the current property tax laws until the Governor and legislature enact tax reforms and adequate funding of education. The financial impact is not determinable at this time, but is potentially significant. A trial began in U. S. District Court on March 21, 2011 and a final order was issued on October 21, 2011, rejecting the plaintiffs' claims of discrimination. The plaintiffs filed an appeal to the U. S. 11th Circuit Court of Appeals on November 18, 2011. The 11th Circuit affirmed the District Court's decision on January 10, 2014.

B-H Transfer Co. Inc. v Magee, et al. involves a challenge to the constitutionality of Alabama's ad valorem taxation scheme as applied to tractor trucks and trailers that are based in Alabama, but used in interstate commerce. The Plaintiffs contend that this taxation scheme violates both the Commerce Clause of the Constitution of the United States to the extent that it requires the state to assess ad valorem tax on the full fair market value of the rolling stock even though the same rolling stock may be subject to taxation in one or more other jurisdictions. The monetary impact from an adverse ruling is not determinable at this time, but is potentially significant.

The State of Alabama has been involved in settling lawsuits challenging the constitutionality of the franchise tax in effect before 2000. The U. S. Supreme Court ruled that Alabama's franchise tax scheme unconstitutionally discriminated against interstate commerce. The State is continuing to negotiate settlements with corporations for potential refunds totaling \$15,000,000 plus accumulated interest of \$5 million. The State Legislature enacted laws to remedy the significant loss of revenue.

The State of Alabama Department of Revenue is also involved in significant tax-related lawsuits or actions that challenge the legality of certain taxes or challenge other provisions of tax laws and procedures. Other cases challenge tax assessments made by the Department. These cases have a significant combined potential refund liability or reductions of assessments. Adverse rulings in these cases could also reduce future revenues.

NOTE 14 - DONOR-RESTRICTED ENDOWMENTS

The Uniform Management of Institutional Funds Act, as adopted in Alabama, permits the boards of the educational institutions of the State to allocate an amount of realized and unrealized endowment appreciation as the boards determine to be prudent for donor-restricted endowments. The colleges' policies are to retain the endowments realized and unrealized appreciation with the endowments after the spending rate distributions. Endowments' earnings are classified in accordance with donor restrictions and are reported in the component units as net position restricted for permanent trust – expendable or non-expendable as appropriate. The Boards of the University of Alabama and University of South Alabama approved a spending rate of 5 percent of a moving three-year average of the fair (unit) value. The other four-year colleges have approved similar spending rate policies with rates ranging between 3 and 6 percent. The net endowment appreciation of the four-year colleges at September 30, 2013 was \$134,819,000.

For the Fiscal Year Ended September 30, 2013

NOTE 15 - SUBSEQUENT EVENTS

Primary Government

On October 15, 2013, the Alabama Public School and College Authority issued \$80,000,000 Series 2013-C Capital Improvement and \$23,985,000 Series 2013-D Capital Improvement Pool Bonds. The interest rates on the Series 2013-C and Series 2013-D bonds range from 3 percent to 5 percent. The Series 2013-C and Series 2013-D series bonds will be payable on March 1 and September 1 each year. The maturity date of the Series 2013-C and Series 2013-D bonds is September 1, 2033.

Component Units

Subsequent to year end, the Housing Finance Authority called approximately \$20,665,000 of single family bonds and \$6,420,000 of multifamily bonds prior to their scheduled maturity. The Authority has awarded Federal funds totaling \$2,386,000 under the HOME program. At year end \$11,515,000 multifamily bonds (conduit debt) were in technical default. Subsequently, \$4,410,000 was redeemed, leaving \$7,105,000. Currently \$5,673,000 of conduit debt is under bankruptcy protection.

On October 1, 2013, the Alabama Wireless 911 Board was dissolved and replaced by the Statewide Alabama 911 Board. The new board is comprised of thirteen members from wireless, landline and cable companies and members of the local 911 offices from around the state. The Board members will serve four year terms and be appointed by the Governor. Effective October 1, 2013, the new rate per connection will be \$1.60. After a 1 percent deduction for a monthly Board fee, the monthly collections will be paid out based on a land line base amount. Any excess collections above the baseline will be distributed on a pro rata basis to Emergency Communication Districts based on their populations to the total state population.



STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

All Budgeted Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
REVENUES				
Taxes	\$ 1,165,327	\$ 1,192,083	\$ 1,165,586	\$ (26,497)
Licenses, Permits and Fees	150,372	153,825	150,406	(3,419)
Fines, Forfeits, and Court Settlements	19,216	19,657	19,220	(437)
Investment Income	15,105	15,452	15,109	(343)
Federal Grants and Reimbursements	-	-	-	-
Other Revenues	3,922	4,012	3,922	(90)
Total Revenues	1,353,942	1,385,029	1,354,243	(30,786)
EXPENDITURES				
Administrative Office of Courts	80,700	80,700	80,700	-
Agriculture and Industries	9,404	9,428	9,425	3
Attorney General	7,000	7,000	6,992	8
Auditor	928	928	839	89
Commission on Higher Education	-	-	-	-
Corrections	372,751	372,751	365,923	6,828
Economic and Community Affairs	7,145	8,628	8,034	594
Education	-	100	61	39
Emergency Management	11,263	31,345	30,780	565
Examiners of Public Accounts	6,438	6,638	6,638	-
Finance	9,188	9,992	7,439	2,553
Governor	2,502	4,384	4,079	305
Human Resources	-	-	-	-
Labor	831	831	802	29
Legislature	21,102	21,176	19,476	1,700
Medicaid	617,778	617,778	570,879	46,899
Mental Health	-	-	-	-
Postsecondary Education	-	-	-	-
Public Health	34,590	35,594	35,585	9
Public Safety	54,045	54,044	53,954	90
Public Service Commission	-	-	-	-
Rehabilitation Services	-	-	-	-
Revenue	17	17	17	-
Secretary of State	2,851	2,851	1,831	1,020
Transportation	-	-	-	-
Treasurer	1,239	1,239	1,219	20
Youth Services	7,240	7,240	7,240	-
Colleges and Universities	-	1,000	1,000	-
Other	225,114	223,001	204,842	18,159
Total Expenditures	1,472,126	1,496,665	1,417,755	78,910
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,184)	(111,636)	(63,512)	48,124
OTHER FINANCING SOURCES (USES)				
Transfers In	370,713	379,224	370,795	(8,429)
Transfers Out	(252,529)	(267,610)	(267,525)	85
Bonds Issued	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Debt Issuance Premiums	-	-	-	-
Insurance Recovery Proceeds	-	22	22	-
Total Other Financing Sources (Uses)	118,184	111,636	103,292	(8,344)
Net Change in Fund Balances	\$ 0	\$ 0	39,780	\$ 39,780

EDUCATION TRUST FUND				EARMARKED FUNDS			
Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
Original	Final			Original	Final		
\$ 5,422,360	\$ 5,441,904	\$ 5,682,630	\$ 240,726	\$ 1,546,862	\$ 1,712,498	\$ 1,418,027	\$ (294,471)
107	107	112	5	443,093	490,539	406,189	(84,350)
244	245	256	11	34,065	37,713	31,228	(6,485)
-	-	-	-	3,563	3,945	3,267	(678)
-	-	-	-	9,014,763	9,980,055	8,263,942	(1,716,113)
199	200	208	8	968,841	1,072,584	888,148	(184,436)
5,422,910	5,442,456	5,683,206	240,750	12,011,187	13,297,334	11,010,801	(2,286,533)
-	-	-	-	95,304	101,319	96,077	5,242
-	-	-	-	22,058	24,201	19,861	4,340
-	-	-	-	14,000	14,959	13,380	1,579
-	-	-	-	-	-	-	-
18,606	18,606	18,246	360	2,271	2,271	1,355	916
-	-	-	-	72,577	77,689	63,799	13,890
-	-	-	-	284,557	285,757	182,357	103,400
3,700,289	3,696,990	3,696,603	387	1,316,120	1,384,507	1,211,437	173,070
-	-	-	-	167,372	169,315	80,061	89,254
6,216	6,216	6,216	-	5,321	5,703	4,736	967
-	-	-	-	119,321	129,734	95,329	34,405
-	-	-	-	-	3,550	23	3,527
-	-	-	-	2,071,231	2,135,824	2,034,219	101,605
-	-	-	-	105,067	110,507	80,195	30,312
1,000	1,500	1,045	455	-	73	73	-
-	-	-	-	5,366,547	5,531,519	5,020,263	511,256
-	-	-	-	887,288	909,056	855,453	53,603
316,109	316,109	316,075	34	30,179	30,392	15,378	15,014
14,813	14,813	14,658	155	761,142	764,622	648,167	116,455
-	-	-	-	114,718	118,638	71,626	47,012
-	-	-	-	24,866	24,910	20,104	4,806
37,787	38,787	37,786	1,001	133,097	133,097	105,743	27,354
-	-	-	-	130,000	150,516	146,312	4,204
-	-	-	-	22,137	22,137	6,960	15,177
-	-	-	-	1,251,677	2,292,245	1,575,991	716,254
-	-	-	-	3,895	4,488	2,512	1,976
54,655	54,655	54,441	214	27,126	40,126	33,328	6,798
1,055,731	1,056,731	1,056,731	-	-	60	60	-
167,591	184,636	182,897	1,739	1,206,578	1,542,403	1,220,898	321,505
5,372,797	5,389,043	5,384,698	4,345	14,234,449	16,009,618	13,605,697	2,403,921
50,113	53,413	298,508	245,095	(2,223,262)	(2,712,284)	(2,594,896)	117,388
-	-	0	-	2,223,262	2,461,326	2,038,090	(423,236)
(50,113)	(53,413)	(53,413)	-	-	-	-	-
-	-	-	-	-	145,935	145,935	-
-	-	-	-	-	72,273	72,273	-
-	-	-	-	-	23,578	23,578	-
-	-	-	-	-	9,172	9,172	-
(50,113)	(53,413)	(53,413)	0	2,223,262	2,712,284	2,289,048	(423,236)
\$ 0	\$ 0	245,095	\$ 245,095	\$ 0	\$ 0	(305,848)	\$ (305,848)

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

Budget-to-GAAP Reconciliation

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	BUDGETARY FUNDS			
	General Fund	Education Trust Fund	Earmarked Funds	Alabama Trust Fund
Net Change in Fund Balance	\$ 39,780	\$ 245,095	\$ (305,848)	
Reconciliation to GAAP Basis:				
<i>Perspective Differences:</i>				
Reclassification of budgetary funds to GAAP financial statement fund types	-	-	305,848	\$ 2,130
<i>Basis Differences:</i>				
Accruals of revenues and other revenue adjustments	44,056	(48,152)		(528)
Accruals of expenditures, expenses and other non-budgeted items	(17,600)	(735)		-
To remove asset purchases treated as budgetary expenditures	14,002	-		-
To remove encumbrances recognized as expenditures	3,133	5,598		289
To recognize prior budget year expenditures/expenses	(1,332)	(3,912)		(170)
To remove budget expenditures/expenses not accrued as liabilities	235	257		-
<i>Entity Differences:</i>				
Add net operating results for funds not budgeted				(61,647)
Net Change in Fund Balances/Net Position - GAAP Basis	82,274	198,151	0	(59,926)
Fund Balances/Net Position, October 1, 2012, as Restated	13,291	(291,831)		2,983,691
Increase (Decrease) in Inventory	(1,031)	-		-
Fund Balances/Net Position, September 30, 2013	\$ 94,534	\$ (93,680)		\$ 2,923,765

FINANCIAL STATEMENT CLASSIFICATION

Medicaid Fund	Public Road and Bridge Fund	Public Welfare Trust Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds	Component Units
\$ (33,857)	\$ (86,686)	\$ (24,429)	\$ (57,976)	\$ (62,780)	\$ (22,600)	\$ (13,017)	\$ (909)	\$ (5,724)
24,848	29,878	7,362	62,776	(158)	14,613	(571)	64	209
(35,320)	(14,281)	24,609	(152,559)	56,369	(1,069)	19,402	43	2,255
-	1	-	751	5,196	11,887	786	4	503
1,951	36,929	4,453	25,360	1,145	3,111	1,273	1	1,835
(4,821)	(21,753)	(688)	(51,310)	(142)	(2,411)	(4)	-	(1,558)
4,261	1,273	(99)	(72)	218	(647)	(7)	(1)	(13)
-	1,681	1,348	608,340	163,405	(30,579)	3,055,627	83,522	439,552
<u>(42,938)</u>	<u>(52,958)</u>	<u>12,556</u>	<u>435,310</u>	<u>163,253</u>	<u>(27,695)</u>	<u>3,063,489</u>	<u>82,724</u>	<u>437,059</u>
(37,386)	419,273	86,307	2,203,587	1,401,826	189,780	31,597,056	1,207,952	9,949,936
-	1,776	-	(1,044)	-	-	-	-	-
<u>\$ (80,324)</u>	<u>\$ 368,091</u>	<u>\$ 98,863</u>	<u>\$ 2,637,853</u>	<u>\$1,565,079</u>	<u>\$ 162,085</u>	<u>\$ 34,660,545</u>	<u>\$ 1,290,676</u>	<u>\$ 10,386,995</u>

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2013

Budgetary Process

Formulation of the budget begins with the preparation of estimates of expenditure requirements for the next fiscal year by the administrative head of each budgeted agency and institution. These estimates are submitted annually to the Executive Budget Office of the Finance Department on or before the first day of the third month preceding each regular session of the Legislature. The budget is prepared by program elements for each agency. Requested changes in programmatic expenditures over the prior fiscal year must be explained, and proposed capital expenditures must be justified as required by the Executive Budget Office.

The budget document, as finally developed by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. For each agency, comparative summaries of appropriations and revenues are presented for the prior year, current year, the agency's request for the next year, and the Governor's recommendation for the next year. The recommended appropriation bills indicate the programmatic appropriation to each agency and the source of funds from which each appropriation is to be paid. The Legislature then legally enacts the State budget into law through the passage of a number of bills as Appropriation Acts. Some conditional appropriations are included in the Appropriation Acts. The agencies do not include these conditional amounts in the original budget, unless the conditions have been met before the fiscal year begins.

Approximately \$40 million of conditional and other appropriations were distributed to various agencies from the General Fund. The Emergency Management Agency and the Fair Trial Tax Fund received conditional appropriations in the amounts of \$20 million and \$16 million, respectively. Some expenditures are required by law to be fully funded and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Original appropriations to the Departmental Emergency Fund are included in the original budget. Emergency appropriations cannot exceed two percent of the total General Fund appropriation bill.

During fiscal year 2013, approximately \$20 million of supplemental appropriations were distributed from the Education Trust Fund (ETF). An \$11 million supplemental appropriation was made to the Alabama Industrial Development Training Institute. The Department of Veterans Affairs received a supplemental appropriation of \$5 million.

The Appropriation Acts budget by agency and program rather than by GAAP basis funds. The State funds its budgetary activities under three budgetary fund groups. The first is the General Fund, which includes many of the general operations of the three branches of government. The second is the Education Trust Fund, which is restricted to funding all levels of educational activity in the State. The third budgetary group is referred to in the budget documents as Earmarked Funds. The Earmarked Funds group includes the operations of most governmental funds of both the primary government and the component units, as well as portions of some proprietary and fiduciary operations.

The Appropriation Acts do not include a revenue budget. At the time of their passage, estimates prepared by legislative and executive branch professional staff assure the legislature that adequate revenues will be available to meet the level of appropriations approved. The Appropriation Acts specify that in addition to the appropriations made, all gifts, grants, or contributions in excess of the amount appropriated are automatically appropriated to be used for the purposes specified in the gift, grant, or contribution. This includes federal funds which are included in the Earmarked Funds. Most of the \$1.8 billion increase in the Earmarked Funds is increased federal funds.

Numerous statutes exist which restrict the use of most state revenue sources to specific uses. The General Fund is funded by a wide variety of taxes, licenses, and interest income. The ETF is funded primarily by income taxes and sales taxes. The Earmarked Funds are generally funded by a combination of federal funds, local funds, and specific taxes and licenses. State law also requires that if revenues actually received are inadequate to fund the appropriations, then the appropriations must be prorated to the level that the revenues will support. For the Budgetary Comparison Schedule, the budgeted revenues consist of the amount of budgeted expenditures allocated among the revenue categories in proportion to the actual amounts received.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2013

Budgetary Control

The legal level of control is the agency and program specified in the Appropriation Acts. For example, “Lab Analysis and Disease Control” and “Agricultural Inspection Services” are two programs within the agency of Agriculture and Industries. Below this legal level of control, the professional management of the Finance Department, under the authority of the Governor’s policy, exercises budgetary control at the fund and object level. Each agency must submit an operations plan detailing planned expenditures down to the object level, and then must follow that plan or explain why a change must be made. Allotments of appropriations are made quarterly based on the plans of operations submitted by the agencies.

The Department of Finance enforces both the legal level and the professional management level of budgetary control through automated edits which must be complied with before making expenditures against an appropriation. A change between objects within appropriations for programs (financial management level) must have the approval of the Budget Officer and the Finance Director.

The Budget Management Act legally authorizes the transfer of appropriations between programs within an agency with the approval of the Governor. Any transfers approved by the Governor must be reported to the Legislature. Transfers between agencies, but within the same program, may be made pursuant to interagency agreements executed for the purposes of accomplishing the objectives for which the Legislature made the appropriation. These interagency agreements must also be approved by the Governor. Under the Budget Management Act, the Governor cannot create new budget authority; he can only transfer existing authority.

Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. The Finance Department monitors revenue projections during the year to ensure that adequate funds will be available to meet budgeted expenditures. If cash collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or budget deficit in any fiscal year. Within the Alabama Trust Fund, a General Fund Rainy Day Account and an Education Trust Fund Rainy Day Account have been created by constitutional amendment. If proration is declared for the General Fund or the Education Trust Fund, then oil and gas capital payments in the Alabama Trust Fund will be used to fund withdrawals from the Rainy Day Accounts. If proration is declared for the General Fund, Rainy Day withdrawals may not exceed the lesser of (a) ten percent of the previous fiscal year’s General Fund appropriations less the total amount of any prior years’ withdrawals from the account which have not been repaid to the account, or (b) the average of the estimated available revenue for the General Fund certified by the Finance Director and the Legislative Fiscal Officer prior to the third legislative day of the Regular Session. If proration is declared for the Education Trust Fund, Rainy Day withdrawals may not exceed the lesser of (a) six and one-half percent of the previous fiscal year’s Education Trust Fund appropriations less the total amount of any prior years’ withdrawals from the account which have not been repaid to the account, or (b) the average of the estimated available revenue for the Education Trust Fund certified by the Finance Director and the Legislative Fiscal Officer prior to the third legislative day of the Regular Session. The Rainy Day Accounts must be replenished within 10 years for the General Fund withdrawals and 6 years for the Education Trust Fund withdrawals. Neither the General Fund nor the Education Trust Fund was prorated in 2013. The General Fund has 7 years to pay back \$162 million which was withdrawn in 2010. The Education Trust Fund has a remaining balance of \$423 million due in 2 years resulting from a 2009 withdrawal. At the end of fiscal year 2013 there were no funds left that could be drawn from either Rainy Day Account.

The Rolling Reserve Act (Act 2011-3) caps appropriations from the Education Trust Fund (ETF) beginning with fiscal year 2013. The cap is the sum of recurring revenues deposited into the ETF in the last completed fiscal year preceding the calculation year adjusted up or down by: (1) the average annual percentage change in recurring revenues in the 15 completed fiscal years preceding the date on which the calculation is made; (2) if the percentage growth in the ETF for the last completed fiscal year exceeds the 15 year average growth rate, an amount equal to 40 percent of the growth in the last completed year is added to the cap; (3) up to 95 percent of any new revenue enacted for the ETF; and (4) any nonrecurring revenue. The Finance Director and the Legislative Fiscal Officer must certify their computation of the cap at the same time as the certification required by Amendment 803 to the *Constitution of Alabama of 1901* (prior to the third day of each Regular Session). The Act creates an ETF Budget Stabilization Fund to receive revenues in excess of the appropriation cap remaining after paying back transfers from the constitutional ETF Rainy Day Account. This Fund will generally be used to reduce any future proration. Any monetary interest that accrues in this fund will be retained by the fund. \$40 million was in the FY13 beginning balance of the ETF Stabilization Fund from a prior year ETF supplemental appropriation; however, this \$40 million was appropriated and spent during fiscal year 2013. Also, the ETF Budget Stabilization Fund didn’t receive any money in fiscal year 2013 because revenues in excess of the appropriation cap are being used to repay the ETF Rainy Day Account. When the balance in the ETF Budget Stabilization Fund is equal to 20 percent of the current year’s appropriations from the ETF, then the excess funds will be distributed to the ETF Capital Fund, also created in

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2013

this act. The Capital Fund will be used for capital improvements in public education, including the acquisition of sites and equipment for buildings and facilities, and for the payment on indebtedness incurred for those purposes.

Encumbrance Accounting

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is used as purchase orders are issued to ensure that purchase orders plus expenditures do not exceed allotment balances. At fiscal year end this control becomes stricter, as purchase orders plus any other obligations or accounts payable incurred against fiscal year appropriations may not exceed allotment balances.

Encumbrances are reported in the year the orders are placed for budgetary purposes in the Budgetary Comparison Schedule. Encumbrances are reported in the year the goods and services are received for GAAP basis financial statements.

Lapsing of Appropriations

All non-capital outlay appropriation balances not reserved by encumbrances or accounts payable lapse at September 30 of each fiscal year. Furthermore, any non-capital outlay appropriation balance not reserved by encumbrances lapses at November 30 following each fiscal year. Encumbrances remain valid for a period of one year following the end of the fiscal year. Balances of encumbrances are reported on the Budgetary Comparison Schedule as expenditures. Capital outlay appropriations for the purchase of land, the construction of buildings, or for the maintenance of roads and bridges of the state highway system continue until the completion of the project.

Budgetary Basis of Accounting and Fund Structure

The State budgets and operates primarily on the budgetary basis which approximates the cash basis with certain material exceptions. During the fiscal year, encumbrances, which represent obligations against current fiscal year appropriations, are accrued. At year end, fund balances are reserved to accrue expenditures for those outstanding encumbrances and estimated accounts payable. In compliance with Amendment 26 to the *Constitution of Alabama of 1901*, the total reservation may not exceed the cash on hand in the State Treasury. Therefore, at year end, cash always equals or exceeds obligations (encumbrances and estimated accounts payable). The Budgetary Comparison Schedule (Non-GAAP Basis) presents comparisons of the adopted budget with actual data on a budgetary basis. The budget excludes funds for all entities operating outside the State Treasury, certain distributive accounts such as those for making distributions to local governments, and most debt service accounts. Since the accounting principles used in the State's budgetary basis of accounting differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of the differences is presented on the schedule. Governmental Accounting Standards Board (GASB) Statement No. 41 requires that budgetary comparison schedules be presented as RSI based on the fund, organization, or program structure that the government uses for its legally adopted budget for a government with significant budgetary perspective differences that result in the government's not being able to present budgetary comparisons for the general fund and each major special revenue fund. The budgetary fund structure for the General Fund group and the Education Trust Fund group is essentially the same as the GAAP fund structure. The Earmarked Fund group does not correspond to a major GAAP fund and these perspective differences are included in the Budget-to-GAAP Reconciliation. The budgets of some major funds are spread throughout various agencies and programs in the Earmarked Fund group. A Detail Schedule of Budget and Actual Expenditures appears in the Governmental Funds subsection of the Combining and Individual Fund Statements and Schedules Section of the CAFR. This schedule provides detailed information at the legal level of control for each individual appropriation item contained in the budget for all budgetary fund groups.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Loss Development Information for State Insurance Fund

For the Fiscal Year Ended September 30, 2013

The following table illustrates how the State Insurance Fund's (Fund) earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the previous ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned premiums and reported investment revenue, amounts of premiums ceded, and reported premiums (net of reinsurance) and reported investment revenue. (2) This line shows each fiscal year's other operating costs of the Fund including overhead and loss adjustment expenses not allocable to individual claims. (3) This line shows the Fund's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called accident year). (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each accident year. (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each accident year. (6) This section of ten rows shows how each accident year's net incurred losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.) (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally estimated. As data for individual accident years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years.

(Amounts in Thousands)	Fiscal and Accident Year Ended									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Premiums and investment revenue:										
Earned	26,051	28,012	28,682	31,625	31,505	32,760	32,489	30,401	36,732	40,758
Ceded	9,355	8,866	11,098	15,067	16,582	17,022	16,803	16,625	20,834	26,115
Net Earned	16,696	19,146	17,584	16,558	14,923	15,738	15,686	13,776	15,898	14,643
2. Unallocated Expenses	1,226	1,435	2,012	2,012	3,030	3,273	3,010	2,863	2,774	3,090
3. Estimated losses and expenses, end of accident year:										
Incurred	19,113	15,806	17,978	34,751	9,843	15,975	17,531	113,642	38,861	33,467
Ceded	5,857	990	89	23,973	-	-	5,781	91,228	28,359	2,757
Net incurred	13,256	14,816	17,889	10,778	9,843	15,975	11,750	22,414	10,502	30,710
4. Net paid (cumulative) as of:										
End of Accident Year	2,956	2,229	6,245	4,617	2,840	5,135	6,493	9,192	3,842	16,000
One Year Later	8,432	10,068	12,391	14,468	6,257	11,681	10,178	16,880	22,703	
Two Years Later	9,549	12,021	14,930	15,893	6,613	14,307	10,241	22,070		
Three Years Later	10,301	12,138	14,977	16,160	6,710	14,310	10,859			
Four Years Later	10,347	12,096	15,160	16,159	6,750	14,312				
Five Years Later	10,231	12,094	15,159	16,158	6,750					
Six Years Later	10,231	12,091	15,159	16,158						
Seven Years Later	10,231	12,089	15,159							
Eight Years Later	10,231	12,087								
Nine Years Later	10,231									
5. Reestimated ceded losses and expenses	26,158	15,668	87	16,293	-	-	2,929	90,962	514	2,757
6. Reestimated net incurred losses and expenses as of:										
End of Accident Year	13,255	14,816	17,889	10,778	9,843	15,975	11,750	22,414	10,502	30,710
One Year Later	10,602	13,801	16,170	16,661	7,535	14,850	10,750	21,000	32,435	
Two Years Later	10,662	13,247	15,133	16,120	7,240	14,606	10,883	22,900		
Three Years Later	10,623	12,292	15,160	16,160	7,072	14,528	10,859			
Four Years Later	10,347	12,096	15,160	16,159	6,750	14,312				
Five Years Later	10,231	12,094	15,159	16,158	6,750					
Six Years Later	10,231	12,091	15,159	16,158						
Seven Years Later	10,231	12,089	15,159							
Eight Years Later	10,231	12,087								
Nine Years Later	10,231									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(3,025)	(2,729)	(2,730)	5,380	(3,093)	(1,663)	(891)	486	21,932	-

STATE OF ALABAMA**REQUIRED SUPPLEMENTARY INFORMATION****Schedule of Funding Progress for Employees' Retirement System**

For the Fiscal Year Ended September 30, 2013

State Employees and State Policemen
(Amounts In Thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a % of Covered Payroll
9/30/2007	5,272,570	6,852,536	1,579,966	76.9	1,541,509	102.5
9/30/2008	5,262,934	7,102,856	1,839,922	74.1	1,582,712	116.3
9/30/2009	5,163,233	7,297,454	2,134,221	70.8	1,563,862	136.5
9/30/2010	4,983,745	7,468,682	2,484,937	66.7	1,551,706	160.1
9/30/2011	4,746,479	7,442,779	2,696,300	63.8	1,464,712	184.1
9/30/2012	4,445,771	7,153,509	2,707,738	62.1	1,313,096	206.2

The actuarial assumptions were changed for the projected salary increases. For the September 30, 2010 valuation, projected salary increases ranged from 4.61 percent to 7.75 percent. For the September 30, 2011 valuation, projected salary increases ranged from 3.75 percent to 7.25 percent. The inflation rate used for the actuarial assumptions was changed from 4.5 percent for the September 30, 2010 valuation to 3 percent for the September 30, 2011 valuation. The remaining amortization period was changed for the September 30, 2009 valuation from 20 years for both State employees and State policemen to 30 years for State employees and 26 years for State policemen. The remaining amortization period was changed for the September 30, 2010 valuation for the State policemen from 26 years to 30 years. The asset valuation method was changed from 5 year smoothed market to 5 year market related value for the September 30, 2012 valuation.

The Retirement Systems of Alabama issued a stand-alone financial report that includes financial statements and required supplementary information for the year ended September 30, 2013. Copies may be obtained by writing to:

The Retirement Systems of Alabama
P.O. Box 302150
201 South Union Street
Montgomery, AL 36130-2150

STATE OF ALABAMA**REQUIRED SUPPLEMENTARY INFORMATION**
Schedule of Funding Progress for Judicial Retirement Fund
For the Fiscal Year Ended September 30, 2013**Judicial Retirement Fund**
(Amounts In Thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a % of Covered Payroll
9/30/2007	265,189	315,941	50,752	83.9	41,318	122.8
9/30/2008	259,071	323,428	64,357	80.1	41,167	156.3
9/30/2009	252,646	340,978	88,332	74.1	43,234	204.3
9/30/2010	246,197	358,459	112,262	68.7	43,061	260.7
9/30/2011	235,870	393,635	157,765	59.9	41,826	377.2
9/30/2012	234,300	380,470	146,170	61.6	42,446	344.4

The actuarial cost method was changed from the projected unit method to the entry age normal method for the September 30, 2011 valuation. Also, actuarial assumptions were changed for the September 30, 2011. The projected salary increases were changed from 5 percent to 4 percent. The cost of living increases were changed from 0 to 3.25 percent per year for certain members hired prior to July 30, 1979 and for spouses' benefits subject to increase. The inflation rate was changed from 4.5 percent to 3 percent. The remaining amortization period was changed for the September 30, 2012 valuation from 30 years to 27 years.

The Retirement Systems of Alabama issued a stand-alone financial report that includes financial statements and required supplementary information for the year ended September 30, 2013. Copies may be obtained by writing to:

The Retirement Systems of Alabama
P.O. Box 302150
201 South Union Street
Montgomery, AL 36130-2150

STATE OF ALABAMA**REQUIRED SUPPLEMENTARY INFORMATION****Schedule of Funding Progress for Retired State Employees' Health Care Trust**

For the Fiscal Year Ended September 30, 2013

Retired State Employees Health Care Trust
(Amounts In Thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a % of Covered Payroll
9/30/2010	97,484	4,162,276	4,064,792	2.3%	1,594,767	254.9%
9/30/2011	108,723	3,369,897	3,261,174	3.2%	1,506,539	216.5%
9/30/2012	126,670	3,215,956	3,089,286	3.9%	1,385,013	223.1%

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Schedule of Funding Progress for Retired State Employees' Health Care Trust

For the Fiscal Year Ended September 30, 2013

Changes in the actuarial assumptions significantly affect the identification of trends in the amounts reported in the Schedule of Funding Progress. The table below summarizes these changes.

Actuarial Valuation Date	Investment Rate of Return	Medical Cost Trend Rate *		Ultimate Trend Rate	Year of Ultimate Trend Rate	Inflation Rate*
		Medicare Eligible	Pre-Medicare			
9/30/2010	5%	8.5%	10.5%	5%	2017	4.5%
9/30/2011	5%	7.5%	9.5%	5%	2017	3.0%
9/30/2012	5%	7.0%	8.5%	5%	2017	3.0%

*The inflation rate was reduced from 4.5 percent to 3 percent for the September 30, 2011 valuation. The medical cost trend rate was reduced twice for Medicare-eligible retirees from 8.5 percent to 7.5 percent for the September, 30 2011 valuation, and then from 7.5 percent to 7.0 percent for the September, 30 2012 valuation. The medical cost trend rate for pre-Medicare retirees was reduced twice from 10.5 percent to 9.5 percent for the September, 30 2011 valuation, and then from 9.5 percent to 8.5 percent for the September 30, 2012 valuation. The effects of these changes are reflected in the actuarial valuations.

The State Employees' Insurance Board issues a stand-alone financial report that includes the Retired State Employees' Health Care Trust financial statements and required supplementary information for the year ended September 30, 2013. A copy may be obtained by writing to:

State Employees' Insurance Board
P. O. Box 304900
201 South Union Street, Suite 200
Montgomery, AL 36130-4900

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2013

Modified Approach

As allowed by GASB Statement Number 34, the State has adopted the modified approach for reporting roadway and bridge infrastructure assets. Under the modified approach, depreciation is not recorded. Infrastructure costs that result in an increase in the capacity or an improvement in the efficiency of the infrastructure network are capitalized and added to the historical cost of the assets. Costs that allow the infrastructure network to be used efficiently over the expected useful life of the assets are expensed as general maintenance costs. Certain maintenance costs that extend the useful life of the assets but do not increase capacity or efficiency are classified as preservation costs. Preservation costs are expensed and reported in lieu of a charge for depreciation expense. Assets accounted for under the modified approach in fiscal year 2013 include approximately 10,870 miles of state maintained highways and 5,393 of state maintained bridges and culverts.

In order to utilize the modified approach, Alabama is required to:

- Maintain an asset management system that includes an inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate annually the amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at or above the established condition level.

Roads

Measurement Scale

The Alabama Department of Transportation uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. The smoothness is measured by the cumulative height the wheel of a vehicle travels vertically over a mile long section of roadway. For example, if the wheel of a vehicle travels vertically 1.0 inches every 0.01 miles, the IRI for that 1 mile section of roadway would be the sum of 100 measurements ($0.01 \times 100 = 1$ mile) of 1.0 inches each or 100 inches/mile. A lower IRI measurement represents a smoother condition of pavement.

Data is collected by route samples and complete route assessments when available. If data is collected in route samples, the samples are weighted by route length to give system averages. If data is collected for the complete route, the frequency of collection is every 0.01 mile and no weighting is used in the computation of system averages.

The United States Department of Transportation developed suggested values for IRI of <60 inches/mile to >220 inches/mile to grade the smoothness condition of the roadway. The Alabama Department of Transportation utilizes this scale of suggested values in its roadway condition assessments. The IRI scale is as follows:

IRI Rating	Condition	Description
> 170 Interstates		
> 220 Other Routes	Poor	Significant Maintenance Required (Resurfacing or Reconstruction)
120-170 Interstates		
171-220 Other Routes	Mediocre	Moderate Maintenance Required (Resurfacing or Reconstruction)
95-119 Interstates		
95-170 Other Routes	Fair	Routine Maintenance Required (Pavement Patching)
60-94 All Routes	Good	Negligible Maintenance Required
< 60 All Routes	Very Good	No Maintenance Required

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2013

Established Condition Level

The weighted average rating of all State maintained roadways shall be “Fair” or better.

Assessed Conditions

The following table represents the most recent condition assessment for roadways classified by Non-Interstate Non-National Highway System Routes, Non-Interstate National Highway System Routes, and Interstate Routes:

Category	As of September 30,					
	2013		2012		2011	
	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National Highway System	6,717	84.74	7,196	84.55	7,146	88.17
Non-Interstate National Highway System	3,155	71.24	2,768	66.27	2,797	70.08
Interstate System	999	69.17	906	69.98	906	69.91
Total and Weighted Average Rating	10,871	79.40	10,870	78.72	10,849	82.03

Bridges

Measurement Scale

ALDOT uses a weighted rating of the major structure components and the deck area of a bridge or culvert. The GASB 34 Bridge Rating is a zero to ten score assigned to each component-rating category and then averaged for each bridge asset classification using an algorithm developed by the ALDOT Maintenance Bureau. The algorithm uses the assessed weighted ratings, each bridge deck area, and the sum of all deck areas. The ten point scale is as follows:

Rating	Condition	Description
1 - 4.99	Marginal	Structural elements have been seriously affected by deterioration.
5 - 6.99	Satisfactory	Structural elements are sound but have minor deterioration.
7 or Greater	Good	Structural elements show negligible signs of deterioration.

Established Condition Level

The weighted average rating of all State maintained bridges and culverts shall be “Satisfactory” or better.

Assessed Conditions

The following table represents the most recent condition assessment for bridges and culverts classified by Non-Interstate Non-National Highway System Routes, Non-Interstate National Highway System Routes, and Interstate Routes:

Category	As of September 30,					
	2013		2012		2011	
	Structures	Rating	Structures	Rating	Structures	Rating
Non-Interstate Non-National Highway System	2,290	6.75	2,598	6.68	2,599	6.67
Non-Interstate National Highway System	1,834	6.70	1,641	6.88	1,645	6.90
Interstate System	1,269	6.12	1,151	5.99	1,151	6.04
Total and Weighted Average Rating	5,393	6.58	5,390	6.60	5,395	6.60

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2013

Estimated and Actual Costs

In fiscal years 2013, 2012, 2011, 2010, and 2009, the State estimated it would need to spend \$334.9, \$319.6, \$306.0, \$310.0, and \$320.0 million, respectively, to preserve and maintain all roadway assets and \$10.0 million in each year to preserve all bridge assets at or above the “Established Condition Levels” presented above. The State spent \$496,695,000 for roadway preservation and \$69,060,000 for bridge preservation in fiscal year 2013. The State spent \$439,145,000 for road preservation and \$52,639,000 for bridge preservation in fiscal year 2012. In fiscal year 2011, the State spent \$375,653,000 for road preservation and \$60,306,000 for bridge preservation. In fiscal year 2010, the State spent \$387,793,000 for roadway preservation and \$47,020,000 for bridge preservation. In fiscal year 2009, the State spent \$316,082,000 for roadway preservation and \$34,457,000 for bridge preservation. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$333,068,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the “Established Condition Levels” presented above. Condition levels are expected to continue to meet or exceed the “Established Condition Levels”.

STATE OF ALABAMA

COMBINING BALANCE SHEET

Nonmajor Governmental Funds by Fund Type

September 30, 2013

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 1,511,460	\$ 62,803	\$ 423,860	\$ 188	\$ 1,998,311
Investments	635,771	42,710	-	80,535	759,016
Due from Other Funds	101,394	-	15,946	-	117,340
Due from Component Units	6,000	-	14,388	-	20,388
Investment Sales Receivable	925	-	-	-	925
Accounts Receivable	100,543	-	-	293	100,836
Taxes Receivable	304,636	15,523	-	-	320,159
Due from Other Governments	142,700	-	-	-	142,700
Mortgages, Notes, and Loans Receivable	-	-	-	56	56
Securities Lending Collateral	13,189	68	1	7,341	20,599
Inventory	1,813	-	-	-	1,813
Restricted Assets	6,127	-	-	-	6,127
Other Assets	170	-	-	-	170
TOTAL ASSETS	\$ 2,824,728	\$ 121,104	\$ 454,195	\$ 88,413	\$ 3,488,440
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 7,194	\$ 0	\$ 0	\$ 0	\$ 7,194
Investment Purchases Payable	9,113	-	-	-	9,113
Due to Other Funds	77,043	-	4,037	9	81,089
Due to Component Units	458	-	-	-	458
Accounts Payable	255,105	-	349	309	255,763
Due to Other Governments	176,091	-	-	-	176,091
Securities Lending Obligation	13,189	68	1	7,341	20,599
Deferred Revenue	211,390	-	-	-	211,390
Amounts Held in Custody for Others	87,402	-	-	-	87,402
Compensated Absences	1,488	-	-	-	1,488
Total Liabilities	838,473	68	4,387	7,659	850,587
Fund Balances					
Nonspendable:					
Inventory	1,813	-	-	-	1,813
Permanent Fund Principal	-	-	-	75,003	75,003
Restricted for:					
Economic Development and Regulation	341,092	-	-	-	341,092
Education and Cultural Resources	357,064	-	-	3,387	360,451
Natural Resources and Recreation	74,172	-	-	-	74,172
Health	167,380	-	-	342	167,722
Social Services	140,933	-	-	2,022	142,955
Protection of Persons and Property	219,202	-	-	-	219,202
Transportation	34,083	-	-	-	34,083
General Government	636,067	-	-	-	636,067
Capital Projects	-	-	449,808	-	449,808
Debt Service	-	121,036	-	-	121,036
Assigned for:					
Economic Development and Regulation	2,475	-	-	-	2,475
Education and Cultural Resources	684	-	-	-	684
Social Services	162	-	-	-	162
Protection of Persons and Property	25,863	-	-	-	25,863
General Government	18,617	-	-	-	18,617
Unassigned	(33,352)	-	-	-	(33,352)
Total Fund Balances	1,986,255	121,036	449,808	80,754	2,637,853
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,824,728	\$ 121,104	\$ 454,195	\$ 88,413	\$ 3,488,440

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Governmental Funds by Fund Type

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
REVENUES					
Taxes	\$ 1,345,042	\$ 211,023	\$ 0	\$ 0	\$ 1,556,065
Licenses, Permits, and Fees	391,914	-	417	1,460	393,791
Fines, Forfeits, and Court Settlements	180,067	-	-	-	180,067
Investment Income	22,667	1,071	163	(1,453)	22,448
Federal Grants and Reimbursements	2,080,834	9,241	-	-	2,090,075
Other Revenues	308,044	2,569	10,243	12	320,868
Total Revenues	4,328,568	223,904	10,823	19	4,563,314
EXPENDITURES					
Current:					
Economic Development and Regulation	110,931	-	-	-	110,931
Education and Cultural Resources	1,436,629	-	-	513	1,437,142
Natural Resources and Recreation	148,679	-	-	-	148,679
Health	1,831,828	-	-	-	1,831,828
Social Services	397,728	-	-	16	397,744
Protection of Persons and Property	454,811	-	-	-	454,811
Transportation	231,280	-	-	-	231,280
General Government	768,209	-	-	10	768,219
Capital Outlay	-	-	55,876	-	55,876
Debt Service - Principal Retirement	3,422	236,192	-	-	239,614
Debt Service - Interest and Other Charges	9,490	176,056	1,270	-	186,816
Debt Service - Current Refunding to Bondholders	-	82,802	-	-	82,802
Total Expenditures	5,393,007	495,050	57,146	539	5,945,742
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(1,064,439)	(271,146)	(46,323)	(520)	(1,382,428)
OTHER FINANCING SOURCES (USES)					
Transfers In	1,674,911	220,963	6,772	3,016	1,905,662
Bonds Issued	351,645	11,290	327,935	-	690,870
Refunding Bonds Issued	891	130,269	-	-	131,160
Debt Issuance Premiums	23,299	19,300	73,358	-	115,957
Insurance Recovery Proceeds	8,105	-	-	-	8,105
Transfers Out	(909,047)	(1,978)	(55,289)	(1,021)	(967,335)
Payments to Refunded Bond Escrow Agent	-	(66,681)	-	-	(66,681)
Total Other Financing Sources (Uses)	1,149,804	313,163	352,776	1,995	1,817,738
Net Change in Fund Balances	85,365	42,017	306,453	1,475	435,310
Fund Balances, October 1, 2012, as Restated	1,901,934	79,019	143,355	79,279	2,203,587
Increase (Decrease) in Inventory	(1,044)	-	-	-	(1,044)
Fund Balances, September 30, 2013	\$ 1,986,255	\$ 121,036	\$ 449,808	\$ 80,754	\$ 2,637,853



Nonmajor Special Revenue Funds

Nonmajor Special Revenue Funds account for specific revenue sources that are legally restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Public Health Department

Accounts for resources used for the primary operations of the Department of Public Health, which promotes the general physical health, enforces laws relating to public health and operates programs providing preventive and treatment services to the public.

Education Department

Accounts primarily for Federal programs administered by the State Department of Education.

Economic and Community Affairs

The Department of Economic and Community Affairs oversees federal and State programs related to energy management, skills enhancement and employment opportunities, traffic control and accident prevention, and state and regional planning.

Revenues Allocated to Other Governments

Account for revenues from taxes and other revenue sources which are shared with local governments and component units.

Other Medicaid Funds

Accounts for activity associated with the Medicaid program that is not reported in the Major Governmental Funds under either the General Fund or the Medicaid Fund.

Mental Health

Accounts for resources used by the Department of Mental Health to care for citizens who suffer from mental illness.

Public School Fund

Accounts for revenues and expenditures which are allocated to local boards of education for support of educational programs.

Alabama Public School College Authority

Accounts for resources used by the Authority, primarily to make grants to local public school systems for capital expenditures.

Labor Department

Administers the employment security, workers compensation, and industrial safety and accident prevention programs.

Conservation and Natural Resources

Is responsible for the management of the State's game and wildlife resources as well as operation of the State parks system.

Twenty-first Century Authority

Accounts for resources used by the Authority for the purpose of making incentive grants to major industries locating or expanding within the State.

Other Nonmajor Special Revenue Funds

Are aggregated for reporting purposes and account for various other resources which must be used for specific purposes.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Special Revenue Funds

September 30, 2013

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
ASSETS					
Cash and Cash Equivalents	\$ 73,685	\$ 35,606	\$ 12,481	\$ 80,553	\$ 9,153
Investments	-	-	32,311	-	-
Due from Other Funds	15,846	3,262	709	962	-
Due from Component Units	1,070	-	-	-	-
Investment Sales Receivable	-	-	-	-	-
Accounts Receivable	80	8	1,533	798	-
Taxes Receivable	229	30	-	27,531	9,315
Due from Other Governments	13,395	81,736	21,109	-	-
Securities Lending Collateral	751	470	114	1,064	124
Inventory	-	-	97	-	-
Restricted Assets	-	-	3,096	-	-
Other Assets	-	-	-	-	-
TOTAL ASSETS	\$ 105,056	\$ 121,112	\$ 71,450	\$ 110,908	\$ 18,592
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 169	\$ 455	\$ 163	\$ 223	\$ 0
Investment Purchases Payable	-	-	-	-	-
Due to Other Funds	10,833	686	5,946	6,302	-
Due to Component Units	-	2	-	-	-
Accounts Payable	35,322	7,293	18,157	138	-
Due to Other Governments	46	88,586	3,631	59,539	-
Securities Lending Obligation	751	470	114	1,064	124
Deferred Revenue	-	-	5,494	-	-
Amounts Held in Custody for Others	1	-	-	-	-
Compensated Absences	477	53	41	-	-
Total Liabilities	47,599	97,545	33,546	67,266	124
Fund Balances					
Nonspendable:					
Inventory	-	-	97	-	-
Restricted for:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	22,592	-	558	-
Natural Resources and Recreation	-	-	-	-	-
Health	57,457	-	-	-	18,468
Social Services	-	975	200	-	-
Protection of Persons and Property	-	-	-	-	-
Transportation	-	-	-	22,698	-
General Government	-	-	37,607	20,386	-
Assigned for:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	-	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	-	-	-	-	-
General Government	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	57,457	23,567	37,904	43,642	18,468
TOTAL LIABILITIES AND FUND BALANCES	\$ 105,056	\$ 121,112	\$ 71,450	\$ 110,908	\$ 18,592

Mental Health	Public School Fund	Public School and College Authority	Labor Department	Conservation and Natural Resources	Twenty-first Century Authority	Other Special Revenue Funds	Totals
\$ 45,249	\$ 2,935	\$ 270,794	\$ 19,648	\$ 56,730	\$ 71,441	\$ 833,185	\$ 1,511,460
1	-	-	3,526	584	-	599,349	635,771
42,877	-	-	7,823	344	-	29,571	101,394
1	-	-	-	-	-	4,929	6,000
-	-	-	-	-	-	925	925
-	-	-	130	1,438	92,673	3,883	100,543
129,205	129,700	-	-	261	-	8,365	304,636
3,347	-	-	-	2,307	-	20,806	142,700
598	39	34	260	749	622	8,364	13,189
648	-	-	-	648	-	420	1,813
-	-	-	-	-	-	3,031	6,127
-	-	-	-	-	-	170	170
\$ 221,926	\$ 132,674	\$ 270,828	\$ 31,387	\$ 63,061	\$ 164,736	\$ 1,512,998	\$ 2,824,728

\$ 621	\$ 0	\$ 64	\$ 32	\$ 254	\$ 0	\$ 5,213	\$ 7,194
-	-	-	-	-	-	9,113	9,113
13,338	1,850	2,409	1,170	706	-	33,803	77,043
-	-	-	-	-	-	456	458
70,989	2,762	-	6,029	9,565	-	104,850	255,105
4,661	2,761	590	29	445	-	15,803	176,091
598	39	34	260	749	622	8,364	13,189
92,812	106,108	-	-	-	-	6,976	211,390
-	-	-	-	620	-	86,781	87,402
195	-	-	114	151	-	457	1,488
183,214	113,520	3,097	7,634	12,490	622	271,816	838,473

648	-	-	-	648	-	420	1,813
-	-	-	-	-	164,114	176,978	341,092
-	19,154	267,731	-	-	-	47,029	357,064
-	-	-	-	49,923	-	24,249	74,172
38,064	-	-	-	-	-	53,391	167,380
-	-	-	15,985	-	-	123,773	140,933
-	-	-	7,768	-	-	211,434	219,202
-	-	-	-	-	-	11,385	34,083
-	-	-	-	-	-	578,074	636,067
-	-	-	-	-	-	2,475	2,475
-	-	-	-	-	-	684	684
-	-	-	-	-	-	162	162
-	-	-	-	-	-	25,863	25,863
-	-	-	-	-	-	18,617	18,617
-	-	-	-	-	-	(33,352)	(33,352)
38,712	19,154	267,731	23,753	50,571	164,114	1,241,182	1,986,255
\$ 221,926	\$ 132,674	\$ 270,828	\$ 31,387	\$ 63,061	\$ 164,736	\$ 1,512,998	\$ 2,824,728

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Special Revenue Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
REVENUES					
Taxes	\$ 2,708	\$ 54,714	\$ 0	\$ 365,082	\$ 353,681
Licenses, Permits, and Fees	31,068	892	1	30,777	-
Fines, Forfeits, and Court Settlements	-	-	1,603	-	-
Investment Income	-	-	46	-	-
Federal Grants and Reimbursements	448,257	956,155	187,430	1,947	-
Other Revenues	40,793	29,475	4,290	-	-
Total Revenues	522,826	1,041,236	193,370	397,806	353,681
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	985,505	-	4,869	-
Natural Resources and Recreation	-	-	-	2,013	-
Health	662,551	-	-	378	360,157
Social Services	-	48,957	37,095	-	-
Protection of Persons and Property	-	-	-	193	-
Transportation	-	-	-	205,440	-
General Government	-	-	134,906	316,239	-
Debt Service - Principal Retirement	642	-	-	-	-
Debt Service - Interest and Other Charges	597	-	213	-	-
Total Expenditures	663,790	1,034,462	172,214	529,132	360,157
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(140,964)	6,774	21,156	(131,326)	(6,476)
OTHER FINANCING SOURCES (USES)					
Transfers In	167,367	2,086	9,736	51,676	30,700
Bonds Issued	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Debt Issuance Premiums	-	-	-	-	-
Insurance Recovery Proceeds	-	407	-	-	-
Transfers Out	(35,554)	(18,682)	(15,772)	-	(30,700)
Total Other Financing Sources (Uses)	131,813	(16,189)	(6,036)	51,676	0
Net Change in Fund Balances	(9,151)	(9,415)	15,120	(79,650)	(6,476)
Fund Balances, October 1, 2012, as Restated	66,608	32,982	22,856	123,292	24,944
Increase (Decrease) in Inventory	-	-	(72)	-	-
Fund Balances, September 30, 2013	\$ 57,457	\$ 23,567	\$ 37,904	\$ 43,642	\$ 18,468

Mental Health	Public School Fund	Public School and College Authority	Labor Department	Conservation and Natural Resources	Twenty-first Century Authority	Other Special Revenue Funds	Totals
\$ 199,109	\$ 169,852	\$ 0	\$ 4,211	\$ 3,612	\$ 0	\$ 192,073	\$ 1,345,042
124	-	-	197	26,662	-	302,193	391,914
-	-	-	120	804	141,927	35,613	180,067
-	-	266	6	684	12	21,653	22,667
30,683	-	-	59,806	31,790	-	364,766	2,080,834
22,120	51,493	-	437	38,426	-	121,010	308,044
252,036	221,345	266	64,777	101,978	141,939	1,037,308	4,328,568
-	-	-	-	-	381	110,550	110,931
-	176,663	135,228	-	-	-	134,364	1,436,629
-	-	-	-	118,098	-	28,568	148,679
702,677	-	-	-	-	-	106,065	1,831,828
-	-	-	67,829	-	-	243,847	397,728
-	-	-	9,033	-	-	445,585	454,811
-	-	-	-	-	-	25,840	231,280
-	-	-	-	-	-	317,064	768,209
-	-	-	55	-	-	2,725	3,422
-	533	624	8	-	13	7,502	9,490
702,677	177,196	135,852	76,925	118,098	394	1,422,110	5,393,007
(450,641)	44,149	(135,586)	(12,148)	(16,120)	141,545	(384,802)	(1,064,439)
806,306	533	-	14,884	15,913	21,538	554,172	1,674,911
-	-	205,710	-	-	-	145,935	351,645
-	-	-	-	-	-	891	891
-	-	8,549	-	-	-	14,750	23,299
144	-	-	-	911	-	6,643	8,105
(361,623)	(50,450)	(998)	(2,143)	(12,539)	(107,822)	(272,764)	(909,047)
444,827	(49,917)	213,261	12,741	4,285	(86,284)	449,627	1,149,804
(5,814)	(5,768)	77,675	593	(11,835)	55,261	64,825	85,365
45,463	24,922	190,056	23,160	62,391	108,853	1,176,407	1,901,934
(937)	-	-	-	15	-	(50)	(1,044)
\$ 38,712	\$ 19,154	\$ 267,731	\$ 23,753	\$ 50,571	\$ 164,114	\$ 1,241,182	\$ 1,986,255

STATE OF ALABAMA

COMBINING BALANCE SHEET
Other Nonmajor Special Revenue Funds

September 30, 2013

(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Rehabilitation Services
ASSETS					
Cash and Cash Equivalents	\$ 23,910	\$ 16,503	\$ 43,076	\$ 2,686	\$ 32,933
Investments	-	44,923	16,782	-	-
Due from Other Funds	1,687	655	25	200	2,988
Due from Component Units	-	4,919	-	-	-
Investment Sales Receivable	-	-	-	-	-
Accounts Receivable	52	-	72	1	44
Taxes Receivable	-	-	-	-	-
Due from Other Governments	30	-	-	8,288	-
Securities Lending Collateral	284	218	385	36	432
Inventory	-	-	-	-	166
Restricted Assets	2,249	-	-	-	-
Other Assets	-	-	11	-	-
TOTAL ASSETS	\$ 28,212	\$ 67,218	\$ 60,351	\$ 11,211	\$ 36,563
LIABILITIES AND FUND BALANCES					
Warrants Payable	\$ 0	\$ 301	\$ 48	\$ 95	\$ 142
Investment Purchases Payable	-	-	-	-	-
Due to Other Funds	200	7,691	363	34	847
Due to Component Units	-	250	-	-	-
Accounts Payable	1,957	9,121	3,073	316	12,809
Due to Other Governments	61	2,034	14	19	200
Securities Lending Obligation	284	218	385	36	432
Deferred Revenue	-	-	5,677	-	-
Amounts Held in Custody for Others	-	26	777	-	-
Compensated Absences	-	20	3	7	60
Total Liabilities	2,502	19,661	10,340	507	14,490
Fund Balances					
Nonspendable:					
Inventory	-	-	-	-	166
Restricted for:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	-	-	-	859
Natural Resources and Recreation	-	-	7	-	-
Health	-	47,557	-	-	-
Social Services	-	-	-	-	21,048
Protection of Persons and Property	7,602	-	49,927	10,704	-
Transportation	-	-	-	-	-
General Government	-	-	-	-	-
Assigned for:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	-	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	18,108	-	77	-	-
General Government	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	25,710	47,557	50,011	10,704	22,073
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,212	\$ 67,218	\$ 60,351	\$ 11,211	\$ 36,563

Children First Trust	Forever Wild Trust	Fair Trial Tax Fund	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	Revenue Administrative Fund	Miscellaneous Special Revenue Funds	Totals
\$ 10,846	\$ 579	\$ 1,660	\$ 0	\$ 0	\$ 19,778	\$ 681,214	\$ 833,185
-	14,574	-	2,683	442,924	-	77,463	599,349
-	-	-	-	-	49	23,967	29,571
-	-	-	-	-	-	10	4,929
-	-	-	-	925	-	-	925
-	-	1	59	1,167	11	2,476	3,883
-	-	74	-	-	5,846	2,445	8,365
-	-	-	-	-	-	12,488	20,806
143	8	22	-	-	261	6,575	8,364
-	-	-	-	-	80	174	420
-	-	-	-	-	-	782	3,031
-	-	-	-	-	-	159	170
\$ 10,989	\$ 15,161	\$ 1,757	\$ 2,742	\$ 445,016	\$ 26,025	\$ 807,753	\$ 1,512,998
\$ 483	\$ 0	\$ 954	\$ 0	\$ 0	\$ 186	\$ 3,004	\$ 5,213
-	-	-	-	9,113	-	-	9,113
2,120	54	11	-	-	809	21,674	33,803
-	-	-	-	-	-	206	456
2,531	58	283	-	-	10,236	64,466	104,850
229	3	-	-	-	114	13,129	15,803
143	8	22	-	-	261	6,575	8,364
-	-	-	5	477	-	817	6,976
-	-	-	-	-	98	85,880	86,781
-	-	-	-	-	130	237	457
5,506	123	1,270	5	9,590	11,834	195,988	271,816
-	-	-	-	-	80	174	420
-	-	-	-	-	-	176,978	176,978
-	-	-	-	-	-	46,170	47,029
-	15,038	-	-	-	-	9,204	24,249
744	-	-	-	-	-	5,090	53,391
2,567	-	-	-	-	-	100,158	123,773
1,249	-	-	-	-	-	141,952	211,434
-	-	-	-	-	-	11,385	11,385
923	-	487	2,737	435,426	14,111	124,390	578,074
-	-	-	-	-	-	2,475	2,475
-	-	-	-	-	-	684	684
-	-	-	-	-	-	162	162
-	-	-	-	-	-	7,678	25,863
-	-	-	-	-	-	18,617	18,617
-	-	-	-	-	-	(33,352)	(33,352)
5,483	15,038	487	2,737	435,426	14,191	611,765	1,241,182
\$ 10,989	\$ 15,161	\$ 1,757	\$ 2,742	\$ 445,016	\$ 26,025	\$ 807,753	\$ 1,512,998

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Other Nonmajor Special Revenue Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Rehabilitation Services
REVENUES					
Taxes	\$ 0	\$ 6,239	\$ 0	\$ 0	\$ 0
Licenses, Permits, and Fees	5,965	59,551	41,362	-	-
Fines, Forfeits, and Court Settlements	1,895	4,748	8,695	-	1,105
Investment Income	2	391	657	-	-
Federal Grants and Reimbursements	254	15,254	65	79,735	70,558
Other Revenues	24,954	2,996	951	4,840	818
Total Revenues	33,070	89,179	51,730	84,575	72,481
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	-	-	-	3,661
Natural Resources and Recreation	-	-	13	-	-
Health	-	97,457	-	-	-
Social Services	-	-	-	-	90,541
Protection of Persons and Property	57,819	-	44,284	76,685	-
Transportation	-	-	-	-	-
General Government	-	-	-	-	-
Debt Service - Principal Retirement	1,987	-	-	-	-
Debt Service - Interest and Other Charges	4,836	589	-	-	6
Total Expenditures	64,642	98,046	44,297	76,685	94,208
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(31,572)	(8,867)	7,433	7,890	(21,727)
OTHER FINANCING SOURCES (USES)					
Transfers In	19,485	7,868	2,408	944	27,607
Bonds Issued	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Debt Issuance Premiums	-	-	-	-	-
Insurance Recovery Proceeds	1,648	-	-	14	374
Transfers Out	-	(8,746)	(2,819)	(3,398)	(2,226)
Total Other Financing Sources (Uses)	21,133	(878)	(411)	(2,440)	25,755
Net Change in Fund Balances	(10,439)	(9,745)	7,022	5,450	4,028
Fund Balances, October 1, 2012, as Restated	36,149	57,302	42,989	5,254	18,052
Increase (Decrease) in Inventory	-	-	-	-	(7)
Fund Balances, September 30, 2013	\$ 25,710	\$ 47,557	\$ 50,011	\$ 10,704	\$ 22,073

Children First Trust	Forever Wild Trust	Fair Trial Tax Fund	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	Revenue Administrative Fund	Miscellaneous Special Revenue Funds	Totals
\$ 0	\$ 0	\$ 13,803	\$ 0	\$ 0	\$ 119,913	\$ 52,118	\$ 192,073
-	198	291	-	-	2,756	192,070	302,193
-	-	-	-	-	-	19,170	35,613
-	32	-	(193)	20,144	-	620	21,653
22	-	7	-	-	303	198,568	364,766
122	9	4,051	-	-	1,429	80,840	121,010
144	239	18,152	(193)	20,144	124,401	543,386	1,037,308
-	-	-	-	-	-	110,550	110,550
-	-	-	-	-	-	130,703	134,364
-	15,980	-	-	-	-	12,575	28,568
4,820	-	-	-	-	-	3,788	106,065
16,626	-	-	-	-	-	136,680	243,847
8,088	-	-	-	-	-	258,709	445,585
-	-	-	-	-	-	25,840	25,840
5,977	-	68,567	7	277	113,375	128,861	317,064
-	-	-	-	-	2	736	2,725
-	-	-	-	-	-	2,071	7,502
35,511	15,980	68,567	7	277	113,377	810,513	1,422,110
(35,367)	(15,741)	(50,415)	(200)	19,867	11,024	(267,127)	(384,802)
46,668	15,000	51,608	23,833	5,958	6,042	346,751	554,172
-	-	-	-	-	-	145,935	145,935
-	-	-	-	-	-	891	891
-	-	-	-	-	-	14,750	14,750
-	-	-	-	-	2	4,605	6,643
(20,518)	(2,831)	(710)	(31,548)	(18,979)	(26,634)	(154,355)	(272,764)
26,150	12,169	50,898	(7,715)	(13,021)	(20,590)	358,577	449,627
(9,217)	(3,572)	483	(7,915)	6,846	(9,566)	91,450	64,825
14,700	18,610	4	10,652	428,580	23,800	520,315	1,176,407
-	-	-	-	-	(43)	-	(50)
\$ 5,483	\$ 15,038	\$ 487	\$ 2,737	\$ 435,426	\$ 14,191	\$ 611,765	\$ 1,241,182



Nonmajor Debt Service Funds

Nonmajor Debt Service Funds account for financial resources that are restricted, committed or assigned to expenditure for the payment of general governmental debt principal and interest.

Public School and College Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction, renovation, and equipping of State educational facilities.

General Obligation Bonds

Accounts for the accumulation of resources used to pay general obligation interest and principal on debt issued by the State for the purpose of financing a wide variety of construction projects.

Twenty-first Century Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing incentive grants to major industries locating or expanding within the State.

Incentives Financing Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction, renovation, and equipping of State worker training facilities.

Industrial Development Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of making industrial development grants to local governments.

Federal Aid Highway Finance Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing road and bridge construction.

Public Health Care Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction of public health facilities.

Corrections Institution Finance Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Corrections Institution Finance Authority for the purpose of financing prison construction.

Mental Health Finance Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction, renovation, and equipping of State mental health facilities.

Judicial Building Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction of facilities used by the unified judicial system.

Other Debt Service

Accounts for the accumulation of resources used to pay the interest and principal on all other debt issued by State.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Debt Service Funds

September 30, 2013

(Amounts in Thousands)

	Public School & College Authority	General Obligation Bonds	Twenty-first Century Authority	Incentives Financing Authority	Industrial Development Authority
ASSETS					
Cash and Cash Equivalents	\$ 426	\$ 766	\$ 17,769	\$ 25,124	\$ 87
Investments	42,466	-	-	-	-
Taxes Receivable	15,373	-	-	-	-
Securities Lending Collateral	6	10	-	-	1
TOTAL ASSETS	\$ 58,271	\$ 776	\$ 17,769	\$ 25,124	\$ 88
LIABILITIES AND FUND BALANCES					
Liabilities					
Securities Lending Obligation	\$ 6	\$ 10	\$ 0	\$ 0	\$ 1
Total Liabilities	6	10	0	0	1
Fund Balances					
Restricted for:					
Debt Service	58,265	766	17,769	25,124	87
Total Fund Balances	58,265	766	17,769	25,124	87
TOTAL LIABILITIES AND FUND BALANCES	\$ 58,271	\$ 776	\$ 17,769	\$ 25,124	\$ 88

Federal Aid Highway Finance Authority	Public Health Care Authority	Corrections Institution Finance Authority	Mental Health Finance Authority	Judicial Building Authority	Other Debt Service Funds	Totals
\$ 19	\$ 14,409	\$ 344	\$ 3,859	\$ 0	\$ 0	\$ 62,803
-	244	-	-	-	-	42,710
-	-	-	150	-	-	15,523
-	-	-	51	-	-	68
<u>\$ 19</u>	<u>\$ 14,653</u>	<u>\$ 344</u>	<u>\$ 4,060</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 121,104</u>
\$ 0	\$ 0	\$ 0	\$ 51	\$ 0	\$ 0	\$ 68
<u>0</u>	<u>0</u>	<u>0</u>	<u>51</u>	<u>0</u>	<u>0</u>	<u>68</u>
19	14,653	344	4,009	-	-	121,036
<u>19</u>	<u>14,653</u>	<u>344</u>	<u>4,009</u>	<u>0</u>	<u>0</u>	<u>121,036</u>
<u>\$ 19</u>	<u>\$ 14,653</u>	<u>\$ 344</u>	<u>\$ 4,060</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 121,104</u>

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Debt Service Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Public School & College Authority	General Obligation Bonds	Twenty-first Century Authority	Incentives Financing Authority	Industrial Development Authority
REVENUES					
Taxes	\$ 207,373	\$ 0	\$ 0	\$ 0	\$ 0
Investment Income	1,025	-	12	13	-
Federal Grants and Reimbursements	9,241	-	-	-	-
Other Revenues	420	-	-	-	-
Total Revenues	218,059	0	12	13	0
EXPENDITURES					
Debt Service - Principal Retirement	163,325	42,804	180	6,025	50
Debt Service - Interest and Other Charges	108,860	31,684	4,287	11,919	2
Debt Service - Current Refunding to Bondholders	-	82,802	-	-	-
Total Expenditures	272,185	157,290	4,467	17,944	52
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(54,126)	(157,290)	(4,455)	(17,931)	(52)
OTHER FINANCING SOURCES (USES)					
Transfers In	68,180	75,168	4,462	19,664	-
Bonds Issued	-	-	-	11,290	-
Refunding Bonds Issued	-	130,269	-	-	-
Debt Issuance Premiums	-	19,300	-	-	-
Transfers Out	(130)	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	(66,681)	-	-	-
Total Other Financing Sources (Uses)	68,050	158,056	4,462	30,954	0
Net Change in Fund Balances	13,924	766	7	13,023	(52)
Fund Balances, October 1, 2012, as Restated	44,341	0	17,762	12,101	139
Fund Balances, September 30, 2013	\$ 58,265	\$ 766	\$ 17,769	\$ 25,124	\$ 87

Federal Aid Highway Finance Authority	Public Health Care Authority	Corrections Institution Finance Authority	Mental Health Finance Authority	Judicial Building Authority	Other Debt Service Funds	Totals
\$ 0	\$ 0	\$ 0	\$ 1,803	\$ 0	\$ 1,847	\$ 211,023
-	21	-	-	-	-	1,071
-	-	-	-	-	-	9,241
-	-	2,133	16	-	-	2,569
0	21	2,133	1,819	0	1,847	223,904
14,540	2,078	1,895	1,400	3,010	885	236,192
14,440	2,254	238	448	962	962	176,056
-	-	-	-	-	-	82,802
28,980	4,332	2,133	1,848	3,972	1,847	495,050
(28,980)	(4,311)	0	(29)	(3,972)	0	(271,146)
28,999	18,670	-	1,848	3,972	-	220,963
-	-	-	-	-	-	11,290
-	-	-	-	-	-	130,269
-	-	-	-	-	-	19,300
-	-	-	(1,848)	-	-	(1,978)
-	-	-	-	-	-	(66,681)
28,999	18,670	0	0	3,972	0	313,163
19	14,359	0	(29)	0	0	42,017
0	294	344	4,038	0	0	79,019
\$ 19	\$ 14,653	\$ 344	\$ 4,009	\$ 0	\$ 0	\$ 121,036



Nonmajor Capital Projects Funds

Nonmajor Capital Projects Funds account for financial resources restricted, committed or assigned to expenditure for the acquisition, construction, and improvement of major general governmental capital assets.

Public School and College Authority

Accounts for the proceeds of debt issued by the Authority for the purpose of financing the construction, renovation, and equipping of State educational facilities.

General Obligation Bond Projects

Accounts for the proceeds of general obligation debt issued by the State for a wide variety of construction projects involving waterways, parks, roads, prisons, mental hospitals, research labs, and other buildings.

Incentives Finance Authority

Accounts for the proceeds of debt issued by the Authority for the purpose of financing the construction, renovation, and equipping of State worker training facilities.

Public Health Care Authority

Accounts for the proceeds of debt issued by the Authority for the purpose of financing the construction of public health facilities.

Mental Health Finance Authority

Accounts for the proceeds of debt issued by the Authority for the purpose of financing the construction, renovation, and equipping of State mental health facilities.

Judicial Building Authority

Accounts for proceeds of debt issued by the authority for the purpose of acquiring, constructing, and equipping judicial facilities.

Federal Aid Highway Finance Authority

Accounts for the proceeds of debt issued by the Authority for the purpose of financing improvements to the State's roads and bridges.

Other Capital Project Funds

Accounts for the proceeds of all other debt issued by the State to fund capital projects.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds

September 30, 2013

(Amounts in Thousands)

	Public School and College Authority	General Obligation Bond Projects	Incentives Finance Authority	Public Health Care Authority	Mental Health Finance Authority
ASSETS					
Cash and Cash Equivalents	\$ 0	\$ 38,227	\$ 0	\$ 4,807	\$ 18,146
Due from Other Funds	2,409	9,082	4,455	-	-
Due from Component Units	-	-	-	-	14,388
Securities Lending Collateral	-	-	-	-	-
TOTAL ASSETS	\$ 2,409	\$ 47,309	\$ 4,455	\$ 4,807	\$ 32,534
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ 0	\$ 4,037	\$ 0	\$ 0	\$ 0
Accounts Payable	-	-	-	349	-
Securities Lending Obligation	-	-	-	-	-
Total Liabilities	0	4,037	0	349	0
Fund Balances					
Restricted for:					
Capital Projects	2,409	43,272	4,455	4,458	32,534
Total Fund Balances	2,409	43,272	4,455	4,458	32,534
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,409	\$ 47,309	\$ 4,455	\$ 4,807	\$ 32,534

Judicial Building Authority	Federal Aid Highway Finance Authority	Other Capital Project Funds	Totals
\$ 740	\$ 361,844	\$ 96	\$ 423,860
-	-	-	15,946
-	-	-	14,388
-	-	1	1
<u>\$ 740</u>	<u>\$ 361,844</u>	<u>\$ 97</u>	<u>\$ 454,195</u>

\$ 0	\$ 0	\$ 0	\$ 4,037
-	-	-	349
-	-	1	1
<u>0</u>	<u>0</u>	<u>1</u>	<u>4,387</u>

<u>740</u>	<u>361,844</u>	<u>96</u>	<u>449,808</u>
<u>740</u>	<u>361,844</u>	<u>96</u>	<u>449,808</u>
<u>\$ 740</u>	<u>\$ 361,844</u>	<u>\$ 97</u>	<u>\$ 454,195</u>

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Capital Projects Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Public School and College Authority	General Obligation Bond Projects	Incentives Finance Authority	Public Health Care Authority	Mental Health Finance Authority
REVENUES					
Licenses, Permits, and Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 417
Investment Income	-	30	-	-	25
Other Revenues	-	75	-	-	10,123
Total Revenues	0	105	0	0	10,565
EXPENDITURES					
Capital Outlay	83	9,314	375	1,091	41,795
Debt Service - Interest and Other Charges	-	-	-	-	-
Total Expenditures	83	9,314	375	1,091	41,795
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(83)	(9,209)	(375)	(1,091)	(31,230)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	4,830	-	11
Bonds Issued	-	-	-	-	-
Debt Issuance Premiums	-	-	-	-	-
Transfers Out	(15)	(762)	-	(15,010)	-
Total Other Financing Sources (Uses)	(15)	(762)	4,830	(15,010)	11
Net Change in Fund Balances	(98)	(9,971)	4,455	(16,101)	(31,219)
Fund Balances, October 1, 2012, as Restated	2,507	53,243	0	20,559	63,753
Fund Balances, September 30, 2013	\$ 2,409	\$ 43,272	\$ 4,455	\$ 4,458	\$ 32,534

Judicial Building Authority	Federal Aid Highway Finance Authority	Other Capital Project Funds	Totals
\$ 0	\$ 0	\$ 0	\$ 417
-	108	-	163
-	-	45	10,243
0	108	45	10,823
1,278	-	1,940	55,876
-	1,270	-	1,270
1,278	1,270	1,940	57,146
(1,278)	(1,162)	(1,895)	(46,323)
-	-	1,931	6,772
-	327,935	-	327,935
-	73,358	-	73,358
-	(38,287)	(1,215)	(55,289)
0	363,006	716	352,776
(1,278)	361,844	(1,179)	306,453
2,018	0	1,275	143,355
\$ 740	\$ 361,844	\$ 96	\$ 449,808



Nonmajor Permanent Funds

Nonmajor Permanent Funds report resources that are legally restricted so that only earnings, not principal, may be used for purposes that support the State's governmental programs.

Marine, Game and Fish Endowment

Invests the proceeds of lifetime hunting and fishing licenses and uses the investment income to preserve, protect, propagate, and develop wildlife within the State.

Alabama Research Alliance

Is a trust fund which awards research grants to State universities to promote science and technology.

Senior Services Trust

Invests a portion of the proceeds from the tobacco settlement in order to accumulate money to expand programs benefiting elderly citizens.

Other Permanent Funds

Accounts for several small permanent funds which further educational, health, and social programs.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Permanent Funds

September 30, 2013

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Alliance	Senior Services Trust	Other Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 2	\$ 139	\$ 2	\$ 45	\$ 188
Investments	20,684	14,842	29,695	15,314	80,535
Accounts Receivable	86	35	172	-	293
Mortgages, Notes, and Loans Receivable	-	-	-	56	56
Securities Lending Collateral	3,030	2	4,309	-	7,341
TOTAL ASSETS	\$ 23,802	\$ 15,018	\$ 34,178	\$ 15,415	\$ 88,413
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ 0	\$ 9	\$ 0	\$ 0	\$ 9
Accounts Payable	-	308	1	-	309
Securities Lending Obligation	3,030	2	4,309	-	7,341
Total Liabilities	3,030	319	4,310	0	7,659
Fund Balances					
Nonspendable:					
Permanent Fund Principal	20,772	11,500	27,846	14,885	75,003
Restricted for:					
Education and Cultural Resources	-	3,199	-	188	3,387
Health	-	-	-	342	342
Social Services	-	-	2,022	-	2,022
Total Fund Balances	20,772	14,699	29,868	15,415	80,754
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,802	\$ 15,018	\$ 34,178	\$ 15,415	\$ 88,413

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Permanent Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Alliance	Senior Services Trust	Other Permanent Funds	Totals
REVENUES					
Licenses, Permits, and Fees	\$ 997	\$ 0	\$ 0	\$ 463	\$ 1,460
Investment Income	(741)	(479)	(154)	(79)	(1,453)
Other Revenues	-	-	9	3	12
Total Revenues	256	(479)	(145)	387	19
EXPENDITURES					
Current:					
Education and Cultural Resources	-	513	-	-	513
Social Services	-	-	16	-	16
General Government	-	-	-	10	10
Total Expenditures	0	513	16	10	539
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	256	(992)	(161)	377	(520)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	3,016	-	3,016
Transfers Out	-	(9)	(833)	(179)	(1,021)
Total Other Financing Sources (Uses)	0	(9)	2,183	(179)	1,995
Net Change in Fund Balances	256	(1,001)	2,022	198	1,475
Fund Balances, October 1, 2012, as Restated	20,516	15,700	27,846	15,217	79,279
Fund Balances, September 30, 2013	\$ 20,772	\$ 14,699	\$ 29,868	\$ 15,415	\$ 80,754



Governmental Funds Supplementary Information

Governmental Funds Supplementary Information includes non-GAAP basis schedules demonstrating compliance with the legally adopted budget and summaries of governmental fund revenues in the State Treasury.

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
EXPENDITURES:			
<u>Administrative Office of Courts</u>			
Administrative Services	3,196	3,196	-
Alabama Sentencing Commission	311	311	-
Court Operations	65,214	65,214	-
Drug Court	3,226	3,226	-
Juvenile Probation Officer Services	8,753	8,753	-
TOTAL Administrative Office of Courts	80,700	80,700	-
<u>Agriculture and Industries</u>			
Administrative Services	1,892	1,892	-
Agricultural Development Services	248	245	3
Agricultural Inspection Services	4,526	4,526	-
Lab Analysis and Disease Control	2,762	2,762	-
TOTAL Agriculture and Industries	9,428	9,425	3
<u>Attorney General</u>			
Fair Marketing Practices: Consumer Protection	-	-	-
Legal Advice and Legal Service: Attorney General - Operations	7,000	6,992	8
TOTAL Attorney General	7,000	6,992	8
<u>Auditor</u>			
Fiscal Management	928	839	89
TOTAL Auditor	928	839	89
<u>Commission on Higher Education</u>			
Planning and Coordination Services	-	-	-
Student Financial Aid	-	-	-
Support - Other Educational Activities	-	-	-
Support of State Programs	-	-	-
Support of State Universities	-	-	-
TOTAL Commission on Higher Education	-	-	-
<u>Corrections</u>			
Administration Service and Logistical Support	22,290	22,100	190
Correctional Industries	-	-	-
Institutional Service Corrections	350,461	343,823	6,638
TOTAL Corrections	372,751	365,923	6,828
<u>Economic and Community Affairs</u>			
Administrative Support Service	66	60	6
Energy Management	214	164	50
Law Enforcement Planning and Development	276	276	-
Planning	5,358	5,172	186
Skills Enhancement/Employment Opportunities	346	345	1
Surplus Property	361	361	-
Water Resources	2,007	1,656	351
TOTAL Economic and Community Affairs	8,628	8,034	594

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	3,196	3,196	-
-	-	-	-	-	-	311	311	-
-	-	-	95,373	90,131	5,242	160,587	155,345	5,242
-	-	-	-	-	-	3,226	3,226	-
-	-	-	5,946	5,946	-	14,699	14,699	-
-	-	-	101,319	96,077	5,242	182,019	176,777	5,242
-	-	-	3,991	3,512	479	5,883	5,404	479
-	-	-	2,038	1,599	439	2,286	1,844	442
-	-	-	12,968	9,719	3,249	17,494	14,245	3,249
-	-	-	5,204	5,031	173	7,966	7,793	173
-	-	-	24,201	19,861	4,340	33,629	29,286	4,343
-	-	-	1,200	1,012	188	1,200	1,012	188
-	-	-	13,759	12,368	1,391	20,759	19,360	1,399
-	-	-	14,959	13,380	1,579	21,959	20,372	1,587
-	-	-	-	-	-	928	839	89
-	-	-	-	-	-	928	839	89
2,703	2,548	155	-	-	-	2,703	2,548	155
5,074	4,872	202	600	317	283	5,674	5,189	485
2,484	2,481	3	1,671	1,038	633	4,155	3,519	636
3,116	3,116	-	-	-	-	3,116	3,116	-
5,229	5,229	-	-	-	-	5,229	5,229	-
18,606	18,246	360	2,271	1,355	916	20,877	19,601	1,276
-	-	-	-	-	-	22,290	22,100	190
-	-	-	23,226	15,058	8,168	23,226	15,058	8,168
-	-	-	54,463	48,741	5,722	404,924	392,564	12,360
-	-	-	77,689	63,799	13,890	450,440	429,722	20,718
-	-	-	10,484	9,830	654	10,550	9,890	660
-	-	-	63,494	53,540	9,954	63,708	53,704	10,004
-	-	-	49,483	23,026	26,457	49,759	23,302	26,457
-	-	-	105,115	45,370	59,745	110,473	50,542	59,931
-	-	-	48,004	44,545	3,459	48,350	44,890	3,460
-	-	-	1,748	1,260	488	2,109	1,621	488
-	-	-	7,429	4,786	2,643	9,436	6,442	2,994
-	-	-	285,757	182,357	103,400	294,385	190,391	103,994

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Education</u>			
Administrative Services	100	61	39
Alabama Science in Motion	-	-	-
At-Risk Student Program	-	-	-
Board of Adjustment	-	-	-
Career Tech Operations and Maintenance	-	-	-
Disability Determination for Social Security	-	-	-
Endowment Interest Program-PSF	-	-	-
Financial Assistance	-	-	-
Foundation Program	-	-	-
Gifted Students Program	-	-	-
Information Technology Services	-	-	-
New System Planning and Development	-	-	-
Reading is Fundamental Program	-	-	-
School Nurses Program	-	-	-
Transportation Program	-	-	-
TOTAL Education	100	61	39
<u>Emergency Management Agency</u>			
Readiness and Recovery	-	-	-
Readiness and Recovery: Administration	833	833	-
Readiness and Recovery: FEMA-Match	30,512	29,947	565
TOTAL Emergency Management Agency	31,345	30,780	565
<u>Examiners of Public Accounts</u>			
Legislative Support - Audit Service	6,638	6,638	-
TOTAL Examiners of Public Accounts	6,638	6,638	-
<u>Finance</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Alabama Building Renovation Finance Authority	-	-	-
Administrative Support Service: Capital Complex Maintenance and Repair	-	-	-
Administrative Support Service: Capitol	1,044	778	266
Administrative Support Service: Space Management	930	-	930
Fiscal Management	-	-	-
Fiscal Management: Budget Office	1,028	902	126
Fiscal Management: Comptroller's Office	4,259	4,145	114
Fiscal Management: Director's Office	1,521	513	1,008
Fiscal Management: Purchasing	1,210	1,101	109
TOTAL Finance	9,992	7,439	2,553
<u>Governor</u>			
Criminal Investigation: Law Enforcement Fund	64	17	47
Executive Direction: Governor's Contingency Fund	217	131	86
Executive Direction: Governor's Office	3,043	2,956	87
Executive Direction: Governor's Office BP Oil Spill	-	-	-
Executive Direction: Governor's Proclamation Expense	864	781	83
Executive Direction: National Governors' Conference	196	194	2
TOTAL Governor	4,384	4,079	305
<u>Human Resources</u>			
Human Services	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
149,578	149,413	165	50,932	31,786	19,146	200,610	181,260	19,350
-	-	-	3,900	1,832	2,068	3,900	1,832	2,068
20,268	20,268	-	-	-	-	20,268	20,268	-
563	563	-	-	-	-	563	563	-
5,000	4,996	4	-	-	-	5,000	4,996	4
-	-	-	87,239	48,634	38,605	87,239	48,634	38,605
-	-	-	533	533	-	533	533	-
36,405	36,187	218	973,974	860,727	113,247	1,010,379	896,914	113,465
3,188,844	3,188,844	-	267,929	267,925	4	3,456,773	3,456,769	4
1,000	1,000	-	-	-	-	1,000	1,000	-
3,593	3,593	-	-	-	-	3,593	3,593	-
300	300	-	-	-	-	300	300	-
30	30	-	-	-	-	30	30	-
29,398	29,398	-	-	-	-	29,398	29,398	-
262,011	262,011	-	-	-	-	262,011	262,011	-
3,696,990	3,696,603	387	1,384,507	1,211,437	173,070	5,081,597	4,908,101	173,496
-	-	-	169,315	80,061	89,254	169,315	80,061	89,254
-	-	-	-	-	-	833	833	-
-	-	-	-	-	-	30,512	29,947	565
-	-	-	169,315	80,061	89,254	200,660	110,841	89,819
6,216	6,216	-	5,703	4,736	967	18,557	17,590	967
6,216	6,216	-	5,703	4,736	967	18,557	17,590	967
-	-	-	102,662	74,436	28,226	102,662	74,436	28,226
-	-	-	8,921	7,013	1,908	8,921	7,013	1,908
-	-	-	10,381	9,043	1,338	10,381	9,043	1,338
-	-	-	-	-	-	1,044	778	266
-	-	-	-	-	-	930	-	930
-	-	-	7,770	4,837	2,933	7,770	4,837	2,933
-	-	-	-	-	-	1,028	902	126
-	-	-	-	-	-	4,259	4,145	114
-	-	-	-	-	-	1,521	513	1,008
-	-	-	-	-	-	1,210	1,101	109
-	-	-	129,734	95,329	34,405	139,726	102,768	36,958
-	-	-	-	-	-	64	17	47
-	-	-	-	-	-	217	131	86
-	-	-	-	-	-	3,043	2,956	87
-	-	-	3,550	23	3,527	3,550	23	3,527
-	-	-	-	-	-	864	781	83
-	-	-	-	-	-	196	194	2
-	-	-	3,550	23	3,527	7,934	4,102	3,832
-	-	-	2,135,824	2,034,219	101,605	2,135,824	2,034,219	101,605

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
TOTAL Human Resources	-	-	-
<u>Labor</u>			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	781	752	29
Regulation Workers Compensation	-	-	-
Regulatory Services	50	50	-
TOTAL Labor	831	802	29
<u>Legislature</u>			
Commission to Reduce Poverty	7	-	7
Legislative Operations and Support	21,169	19,476	1,693
TOTAL Legislature	21,176	19,476	1,700
<u>Medicaid Agency</u>			
Medical Assistance Through Medicaid: Administrative Cost	59,271	26,073	33,198
Medical Assistance Through Medicaid: Alternative Care	38,126	38,126	-
Medical Assistance Through Medicaid: Family Planning	2,067	2,067	-
Medical Assistance Through Medicaid: Health Support	12,975	12,975	-
Medical Assistance Through Medicaid: Hospital Care	-	-	-
Medical Assistance Through Medicaid: Mental Health- Facilities	-	-	-
Medical Assistance Through Medicaid: Mental Health- Other Health Insurance	-	-	-
Medical Assistance Through Medicaid: Mental Health- Waivers	-	-	-
Medical Assistance Through Medicaid: Nursing Home Care	195,739	194,462	1,277
Medical Assistance Through Medicaid: Pharmaceutical	144,008	144,008	-
Medical Assistance Through Medicaid: Physician Care	57,874	57,874	-
Medical Assistance Through Medicaid: Premiums	107,718	95,294	12,424
TOTAL Medicaid Agency	617,778	570,879	46,899
<u>Mental Health</u>			
Administrative Services	-	-	-
Institutional Treatment and Care of Intellectually Disabled	-	-	-
Institutional Treatment and Care of Mentally Ill	-	-	-
Special Services	-	-	-
Substance Abuse Program	-	-	-
TOTAL Mental Health	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	2,135,824	2,034,219	101,605	2,135,824	2,034,219	101,605
-	-	-	18,233	13,088	5,145	18,233	13,088	5,145
-	-	-	76,207	56,931	19,276	76,207	56,931	19,276
-	-	-	9,440	5,116	4,324	10,221	5,868	4,353
-	-	-	5,093	4,025	1,068	5,093	4,025	1,068
-	-	-	1,534	1,035	499	1,584	1,085	499
-	-	-	110,507	80,195	30,312	111,338	80,997	30,341
-	-	-	-	-	-	7	-	7
1,500	1,045	455	73	73	-	22,742	20,594	2,148
1,500	1,045	455	73	73	-	22,749	20,594	2,155
-	-	-	375,084	184,084	191,000	434,355	210,157	224,198
-	-	-	374,889	337,771	37,118	413,015	375,897	37,118
-	-	-	63,238	59,240	3,998	65,305	61,307	3,998
-	-	-	234,830	231,884	2,946	247,805	244,859	2,946
-	-	-	2,106,752	2,046,381	60,371	2,106,752	2,046,381	60,371
-	-	-	15,544	1,794	13,750	15,544	1,794	13,750
-	-	-	139,768	123,496	16,272	139,768	123,496	16,272
-	-	-	306,476	304,529	1,947	306,476	304,529	1,947
-	-	-	798,180	703,493	94,687	993,919	897,955	95,964
-	-	-	500,307	449,237	51,070	644,315	593,245	51,070
-	-	-	399,677	368,965	30,712	457,551	426,839	30,712
-	-	-	216,774	209,389	7,385	324,492	304,683	19,809
-	-	-	5,531,519	5,020,263	511,256	6,149,297	5,591,142	558,155
-	-	-	27,911	18,244	9,667	27,911	18,244	9,667
-	-	-	447,489	436,760	10,729	447,489	436,760	10,729
-	-	-	361,929	343,118	18,811	361,929	343,118	18,811
-	-	-	17,894	15,692	2,202	17,894	15,692	2,202
-	-	-	53,833	41,639	12,194	53,833	41,639	12,194
-	-	-	909,056	855,453	53,603	909,056	855,453	53,603

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Postsecondary Education</u>			
Adult Education	-	-	-
Adult Education: Adult Basic Education	-	-	-
Postsecondary Administration	-	-	-
Postsecondary Administration: Postsecondary/Chancellor's	-	-	-
Postsecondary-Prison Education: Prison Education-Operations and Maintenance	-	-	-
Postsecondary-Special Line Items: Mine Safety	-	-	-
Postsecondary-Special Line Items: Special Populations Training	-	-	-
Postsecondary-Technical Colleges	-	-	-
Postsecondary-Technical Colleges: Truck Driver Training-CACC	-	-	-
Postsecondary-Two Year Colleges	-	-	-
Postsecondary-Two Year Colleges: Alabama Technology Network	-	-	-
Postsecondary-Two Year Colleges: Marion Military Institute	-	-	-
Postsecondary-Two Year Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
Postsecondary-Two Year Colleges: Workforce Development	-	-	-
TOTAL Postsecondary Education	-	-	-
<u>Public Health</u>			
Administrative Services	7,935	7,935	-
Children's Health Insurance	-	-	-
Emergency Medical Service Education	-	-	-
Family Practice Rural Health	-	-	-
Public Health Services	27,659	27,650	9
TOTAL Public Health	35,594	35,585	9
<u>Public Safety</u>			
Administrative Services	12,088	12,085	3
Police Services	41,875	41,869	6
Public Safety Support Services	-	-	-
Readiness and Recovery	81	-	81
TOTAL Public Safety	54,044	53,954	90
<u>Public Service Commission</u>			
Regulatory Services	-	-	-
TOTAL Public Service Commission	-	-	-
<u>Rehabilitation Services</u>			
Direct Client Services-Handicap	-	-	-
TOTAL Rehabilitation Services	-	-	-
<u>Revenue</u>			
State Revenue Administration	17	17	-
TOTAL Revenue	17	17	-
<u>Secretary of State</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Administration of Helping America Vote Act	-	-	-
Administrative Support Service: Distribution of Public Documents	195	136	59
Administrative Support Service: Printing of Acts/Journals	468	156	312
Administrative Support Service: Printing of Codes	131	33	98
Administrative Support Service: Secretary of State	2,024	1,506	518
Special Services: Training Elected Officials	33	-	33

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	16,820	9,062	7,758	16,820	9,062	7,758
13,399	13,397	2	-	-	-	13,399	13,397	2
-	-	-	4,675	2,559	2,116	4,675	2,559	2,116
5,986	5,958	28	-	-	-	5,986	5,958	28
10,396	10,396	-	-	-	-	10,396	10,396	-
321	321	-	-	-	-	321	321	-
4,950	4,948	2	-	-	-	4,950	4,948	2
-	-	-	2,750	1,524	1,226	2,750	1,524	1,226
241	241	-	-	-	-	241	241	-
-	-	-	6,147	2,233	3,914	6,147	2,233	3,914
4,587	4,587	-	-	-	-	4,587	4,587	-
5,876	5,876	-	-	-	-	5,876	5,876	-
267,636	267,636	-	-	-	-	267,636	267,636	-
2,717	2,715	2	-	-	-	2,717	2,715	2
316,109	316,075	34	30,392	15,378	15,014	346,501	331,453	15,048
809	809	-	24,035	20,662	3,373	32,779	29,406	3,373
-	-	-	225,364	198,802	26,562	225,364	198,802	26,562
1,336	1,336	-	-	-	-	1,336	1,336	-
1,657	1,502	155	-	-	-	1,657	1,502	155
11,011	11,011	-	515,223	428,703	86,520	553,893	467,364	86,529
14,813	14,658	155	764,622	648,167	116,455	815,029	698,410	116,619
-	-	-	50,115	32,433	17,682	62,203	44,518	17,685
-	-	-	39,674	21,864	17,810	81,549	63,733	17,816
-	-	-	28,849	17,329	11,520	28,849	17,329	11,520
-	-	-	-	-	-	81	-	81
-	-	-	118,638	71,626	47,012	172,682	125,580	47,102
-	-	-	24,910	20,104	4,806	24,910	20,104	4,806
-	-	-	24,910	20,104	4,806	24,910	20,104	4,806
38,787	37,786	1,001	133,097	105,743	27,354	171,884	143,529	28,355
38,787	37,786	1,001	133,097	105,743	27,354	171,884	143,529	28,355
-	-	-	150,516	146,312	4,204	150,533	146,329	4,204
-	-	-	150,516	146,312	4,204	150,533	146,329	4,204
-	-	-	4,137	1,857	2,280	4,137	1,857	2,280
-	-	-	18,000	5,103	12,897	18,000	5,103	12,897
-	-	-	-	-	-	195	136	59
-	-	-	-	-	-	468	156	312
-	-	-	-	-	-	131	33	98
-	-	-	-	-	-	2,024	1,506	518
-	-	-	-	-	-	33	-	33

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
TOTAL Secretary of State	2,851	1,831	1,020
<u>Transportation</u>			
Aviation Stimulus	-	-	-
General Administration	-	-	-
General Aviation and Aeronautics	-	-	-
Roads & Transit Stimulus	-	-	-
Surface Transportation Improvements	-	-	-
TOTAL Transportation	-	-	-
<u>Treasurer</u>			
Fiscal Management	1,239	1,219	20
TOTAL Treasurer	1,239	1,219	20
<u>Youth Services</u>			
Community Educational Programs	-	-	-
Financial Assistance	-	-	-
Youth Services	7,240	7,240	-
TOTAL Youth Services	7,240	7,240	-
<u>Colleges and Universities</u>			
Alabama Agricultural and Mechanical University			
Support of State Universities: Agriculture Research Station Fixed Costs	-	-	-
Support of State Universities: Alabama A&M-Agriculture Research Extension State Match	-	-	-
Support of State Universities: Alabama A&M-Miles College	-	-	-
Support of State Universities: Alabama A&M-Operations and Maintenance	-	-	-
Support of State Universities: Carter Science Center	-	-	-
Support of State Universities: Urban Affairs and Non-Traditional Program	-	-	-
Total Alabama Agricultural and Mechanical University	-	-	-
Alabama Fire College			
Firefighters-Fire College: Alabama Fire College	-	-	-
Total Alabama Fire College	-	-	-
Alabama Institute for the Deaf and Blind			
Alabama Institute for the Deaf and Blind- Adult Programs	-	-	-
Alabama Institute for the Deaf and Blind- Children and Youth Programs	-	-	-
Alabama Institute for the Deaf and Blind- Industries for the Blind	-	-	-
Birmingham Regional Office	-	-	-
Total Alabama Institute for the Deaf and Blind	-	-	-
Alabama State University			
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
Total Alabama State University	-	-	-
Athens State University			
Support of State Universities: Athens State University	-	-	-
Total Athens State University	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	22,137	6,960	15,177	24,988	8,791	16,197
-	-	-	210	-	210	210	-	210
-	-	-	187,697	125,858	61,839	187,697	125,858	61,839
-	-	-	31,579	24,033	7,546	31,579	24,033	7,546
-	-	-	64,163	22,299	41,864	64,163	22,299	41,864
-	-	-	2,008,596	1,403,801	604,795	2,008,596	1,403,801	604,795
-	-	-	2,292,245	1,575,991	716,254	2,292,245	1,575,991	716,254
-	-	-	4,488	2,512	1,976	5,727	3,731	1,996
-	-	-	4,488	2,512	1,976	5,727	3,731	1,996
3,966	3,966	-	-	-	-	3,966	3,966	-
6,115	6,061	54	871	390	481	6,986	6,451	535
44,574	44,414	160	39,255	32,938	6,317	91,069	84,592	6,477
54,655	54,441	214	40,126	33,328	6,798	102,021	95,009	7,012
278	278	-	-	-	-	278	278	-
1,190	1,190	-	-	-	-	1,190	1,190	-
259	259	-	-	-	-	259	259	-
31,073	31,073	-	-	-	-	31,073	31,073	-
500	500	-	-	-	-	500	500	-
3,748	3,748	-	-	-	-	3,748	3,748	-
37,048	37,048	-	-	-	-	37,048	37,048	-
2,900	2,900	-	-	-	-	2,900	2,900	-
2,900	2,900	-	-	-	-	2,900	2,900	-
10,770	10,770	-	-	-	-	10,770	10,770	-
28,895	28,895	-	-	-	-	28,895	28,895	-
7,894	7,894	-	-	-	-	7,894	7,894	-
10	10	-	-	-	-	10	10	-
47,569	47,569	-	-	-	-	47,569	47,569	-
40,907	40,907	-	-	-	-	40,907	40,907	-
40,907	40,907	-	-	-	-	40,907	40,907	-
11,178	11,178	-	-	-	-	11,178	11,178	-
11,178	11,178	-	-	-	-	11,178	11,178	-

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Auburn University			
Support of State Universities: Auburn University Montgomery Veterinary- Breast Cancer	-	-	-
Support of State Universities: Auburn University System-Operations and Maintenance	-	-	-
Support of State Universities: Auburn University-AUM Operations and Maintenance	-	-	-
Support of State Universities: Auburn/Agriculture Experiment Station	-	-	-
Support of State Universities: Auburn/Cooperative Extension Service	-	-	-
Support of State Universities: Cyber Security Center	-	-	-
Total Auburn University	-	-	-
Jacksonville State University			
Support of State Universities: Alabama Film Initiative Program	-	-	-
Support of State Universities: Jacksonville State University-Operations and Maintenance	-	-	-
Total Jacksonville State University	-	-	-
Troy State University			
Support of State Universities: Troy State University System-Operations and Maintenance	-	-	-
Total Troy State University	-	-	-
University of Alabama - Birmingham			
Support of State Universities	-	-	-
Support of State Universities: Chauncey Sparks Center/University of Alabama Birmingham	-	-	-
Support of State Universities: University of Alabama-Birmingham-Operations and Maintenance	-	-	-
Support of State Universities: University of Alabama - Birmingham Cancer Center	-	-	-
Total University of Alabama - Birmingham	-	-	-
University of Alabama - Huntsville			
Support of State Universities: University of Alabama Huntsville-Operations and Maintenance	-	-	-
Total University of Alabama - Huntsville	-	-	-
University of Alabama - Tuscaloosa			
Support of State Universities: University of Alabama-Tuscaloosa-Operations and Maintenance	-	-	-
Total University of Alabama - Tuscaloosa	-	-	-
University of Montevallo			
Support of State Universities: University of Montevallo-Operations and Maintenance	-	-	-
Total University of Montevallo	-	-	-
University of North Alabama			
Support of State Universities: University of North Alabama-Operations and Maintenance	-	-	-
Total University of North Alabama	-	-	-
University of South Alabama			
Support of State Universities: University of South Alabama/ Cancer Center	-	-	-
Support of State Universities: University of South Alabama-Operations and Maintenance	1,000	1,000	-
Total University of South Alabama	1,000	1,000	-
University of West Alabama			
Support of State Universities: University of West Alabama-Operations and Maintenance	-	-	-
Total University of West Alabama	-	-	-
TOTAL Colleges and Universities	1,000	1,000	-
Other			
Accountancy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Accountancy Board	-	-	-
Agriculture Center Board			
Agricultural Development Services: Operations	-	-	-
Total Agriculture Center Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
1,100	1,100	-	-	-	-	1,100	1,100	-
153,657	153,657	-	-	-	-	153,657	153,657	-
21,948	21,948	-	-	-	-	21,948	21,948	-
29,996	29,996	-	-	-	-	29,996	29,996	-
31,177	31,177	-	-	-	-	31,177	31,177	-
500	500	-	-	-	-	500	500	-
238,378	238,378	-	-	-	-	238,378	238,378	-
426	426	-	-	-	-	426	426	-
34,890	34,890	-	-	-	-	34,890	34,890	-
35,316	35,316	-	-	-	-	35,316	35,316	-
44,923	44,923	-	-	-	-	44,923	44,923	-
44,923	44,923	-	-	-	-	44,923	44,923	-
-	-	-	60	60	-	60	60	-
3,237	3,237	-	-	-	-	3,237	3,237	-
250,097	250,097	-	-	-	-	250,097	250,097	-
5,053	5,053	-	-	-	-	5,053	5,053	-
258,387	258,387	-	60	60	-	258,447	258,447	-
42,711	42,711	-	-	-	-	42,711	42,711	-
42,711	42,711	-	-	-	-	42,711	42,711	-
140,700	140,700	-	-	-	-	140,700	140,700	-
140,700	140,700	-	-	-	-	140,700	140,700	-
17,551	17,551	-	-	-	-	17,551	17,551	-
17,551	17,551	-	-	-	-	17,551	17,551	-
24,764	24,764	-	-	-	-	24,764	24,764	-
24,764	24,764	-	-	-	-	24,764	24,764	-
3,000	3,000	-	-	-	-	3,000	3,000	-
98,295	98,295	-	-	-	-	99,295	99,295	-
101,295	101,295	-	-	-	-	102,295	102,295	-
13,104	13,104	-	-	-	-	13,104	13,104	-
13,104	13,104	-	-	-	-	13,104	13,104	-
1,056,731	1,056,731	-	60	60	-	1,057,791	1,057,791	-
-	-	-	1,601	1,159	442	1,601	1,159	442
-	-	-	1,601	1,159	442	1,601	1,159	442
-	-	-	65	7	58	65	7	58
-	-	-	65	7	58	65	7	58

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Alabama Athletic Commission			
Licensing, Regulation and Enforcement	-	-	-
Total Alabama Athletic Commission	-	-	-
Alabama Board of Court Reporting			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Board of Court Reporting	-	-	-
Alabama Construction Recruitment			
Recruitment/Training Promotion	-	-	-
Total Alabama Construction Recruitment	-	-	-
Alabama Innovation Fund			
Alabama Innovation Fund	-	-	-
Total Alabama Innovation Fund	-	-	-
Alabama Law Institute			
Support - Other Educational Activities	178	171	7
Total Alabama Law Institute	178	171	7
Alabama Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Onsite Wastewater Board	-	-	-
Alabama Public Historical Sites Improvement Corporation			
Debt Service	-	-	-
Total Alabama Public Historical Sites Improvement Corporation	-	-	-
Alabama Security Regulatory Board			
Licensing, Regulation and Enforcement	-	-	-
Total Alabama Security Regulatory Board	-	-	-
Alabama Trust Fund			
Alabama Natural Heritage	-	-	-
Fiscal Management	11	4	7
Total Alabama Trust Fund	11	4	7
Alcoholic Beverage Control Board			
Administrative Services	-	-	-
Alcoholic Beverage Management	-	-	-
Licensing, Regulation and Enforcement	-	-	-
Total Alcoholic Beverage Control Board	-	-	-
Architects Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Architects Registration Board	-	-	-
Archives and History			
Historical Resources Management	2,164	2,163	1
Total Archives and History	2,164	2,163	1
Assisted Living Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Assisted Living Examiners Board	-	-	-
Athlete Agent Regulatory Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athlete Agent Regulatory Commission	-	-	-
Athletic Trainers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athletic Trainers Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	250	56	194	250	56	194
-	-	-	250	56	194	250	56	194
-	-	-	105	91	14	105	91	14
-	-	-	105	91	14	105	91	14
-	-	-	1,750	1,485	265	1,750	1,485	265
-	-	-	1,750	1,485	265	1,750	1,485	265
1,650	1,650	-	-	-	-	1,650	1,650	-
1,650	1,650	-	-	-	-	1,650	1,650	-
567	565	2	156	80	76	901	816	85
567	565	2	156	80	76	901	816	85
-	-	-	485	321	164	485	321	164
-	-	-	485	321	164	485	321	164
-	-	-	3,669	3,669	-	3,669	3,669	-
-	-	-	3,669	3,669	-	3,669	3,669	-
-	-	-	175	114	61	175	114	61
-	-	-	175	114	61	175	114	61
-	-	-	1,000	789	211	1,000	789	211
-	-	-	-	-	-	11	4	7
-	-	-	1,000	789	211	1,011	793	218
-	-	-	9,893	9,220	673	9,893	9,220	673
-	-	-	51,142	50,221	921	51,142	50,221	921
-	-	-	20,654	16,573	4,081	20,654	16,573	4,081
-	-	-	81,689	76,014	5,675	81,689	76,014	5,675
-	-	-	515	488	27	515	488	27
-	-	-	515	488	27	515	488	27
3,789	3,789	-	202	-	202	6,155	5,952	203
3,789	3,789	-	202	-	202	6,155	5,952	203
-	-	-	86	70	16	86	70	16
-	-	-	86	70	16	86	70	16
-	-	-	52	9	43	52	9	43
-	-	-	52	9	43	52	9	43
-	-	-	64	54	10	64	54	10
-	-	-	64	54	10	64	54	10

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Auctioneers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Auctioneers Board	-	-	-
Banking			
Charter Licensure and Regulation Financial	-	-	-
Total Banking	-	-	-
Board of Adjustment			
Special Services: Damage Claims-Board of Adjustment	29	8	21
Special Services: Death Claims-Board of Adjustment	543	543	-
Total Board of Adjustment	572	551	21
Board of Cosmetology and Barbering			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Cosmetology and Barbering	-	-	-
Board of Prosthetists and Orthotists			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Prosthetists and Orthotists	-	-	-
Board of Respiratory Therapy			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Respiratory Therapy	-	-	-
Building Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Special Services	126	115	11
Total Building Commission	126	115	11
Child Abuse & Neglect Prevention			
Social Services	-	-	-
Total Child Abuse & Neglect Prevention	-	-	-
Children Services Facilitation			
Human Services	-	-	-
Total Children Services Facilitation	-	-	-
Children's Affairs			
Children's Policy Council	-	-	-
Social Services	70	70	-
Total Children's Affairs	70	70	-
Chiropractic Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Chiropractic Examiners Board	-	-	-
Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority			
Water Resource Development	211	206	5
Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority	211	206	5
Commission on Uniform State Laws			
Special Services	29	28	1
Total Commission on Uniform State Laws	29	28	1

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	150	144	6	150	144	6
-	-	-	150	144	6	150	144	6
-	-	-	16,284	13,893	2,391	16,284	13,893	2,391
-	-	-	16,284	13,893	2,391	16,284	13,893	2,391
-	-	-	-	-	-	29	8	21
-	-	-	-	-	-	543	543	-
-	-	-	-	-	-	572	551	21
-	-	-	3,041	2,082	959	3,041	2,082	959
-	-	-	3,041	2,082	959	3,041	2,082	959
-	-	-	164	135	29	164	135	29
-	-	-	164	135	29	164	135	29
-	-	-	300	151	149	300	151	149
-	-	-	300	151	149	300	151	149
-	-	-	144	121	23	144	121	23
-	-	-	1,831	1,478	353	1,957	1,593	364
-	-	-	1,975	1,599	376	2,101	1,714	387
-	-	-	7,376	7,061	315	7,376	7,061	315
-	-	-	7,376	7,061	315	7,376	7,061	315
-	-	-	4,675	3,577	1,098	4,675	3,577	1,098
-	-	-	4,675	3,577	1,098	4,675	3,577	1,098
-	-	-	1,887	1,485	402	1,887	1,485	402
19,249	19,244	5	5,725	3,081	2,644	25,044	22,395	2,649
19,249	19,244	5	7,612	4,566	3,046	26,931	23,880	3,051
-	-	-	507	318	189	507	318	189
-	-	-	507	318	189	507	318	189
-	-	-	43	3	40	254	209	45
-	-	-	43	3	40	254	209	45
-	-	-	-	-	-	29	28	1
-	-	-	-	-	-	29	28	1

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Conservation and Natural Resources			
Administrative Services	-	-	-
Game and Fish	-	-	-
Marine Police	-	-	-
Marine Resources	-	-	-
Outdoor Recreation Sites and Services	-	-	-
State Land Management	-	-	-
Total Conservation and Natural Resources	-	-	-
Council on the Arts			
Fine Arts	-	-	-
Total Council on the Arts	-	-	-
Counseling Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Counseling Examiners Board	-	-	-
Court of Civil Appeals			
Court Operations	3,629	3,488	141
Total Court of Civil Appeals	3,629	3,488	141
Court of Criminal Appeals			
Court Operations	4,643	3,933	710
Total Court of Criminal Appeals	4,643	3,933	710
Credit Union Administration			
Charter Licensure and Regulation Financial	-	-	-
Total Credit Union Administration	-	-	-
Crime Victims Compensation Commission			
Special Services	-	-	-
Total Crime Victims Compensation Commission	-	-	-
Criminal Justice Information Center			
Criminal Justice Information Services	759	759	-
Total Criminal Justice Information Center	759	759	-
Debt Service and Reserve			
Debt Service	-	-	-
Debt Service: 2001-E Docks/Local Match Bonds	-	-	-
Debt Service: 2002-A General Obligation Bonds	-	-	-
Debt Service: 2005-A General Obligation Bonds	-	-	-
Debt Service: Alabama Building Renovation Fin Authority	4,654	4,654	-
Debt Service: General Obligation 2001-D Historic Site Bonds	480	480	-
Debt Service: General Obligation 2006 Debt Service	-	-	-
Debt Service: General Obligation 2007-A Debt Service	15,000	15,000	-
Debt Service: General Obligation 2010-A Refunding Agriculture Development	-	-	-
Debt Service: General Obligation 2010-B Refunding Forensic Science	-	-	-
Debt Service: General Obligation 2010-C Refunding Parks Systems Board	8,132	8,132	-
Debt Service: General Obligation 2010-D Bonds	9,215	9,215	-
Total Debt Service and Reserve	37,481	37,481	-
Department of Commerce			
Industrial Development: Alabama Department of Commerce	3,911	3,764	147
Industrial Training: Ala Industrial Development Training/Workforce Development	-	-	-
Industrial Training: Alabama Industrial Development Training/Training Program	23	23	-
Total Department of Commerce	3,934	3,787	147

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	12,011	9,123	2,888	12,011	9,123	2,888
-	-	-	37,773	33,468	4,305	37,773	33,468	4,305
-	-	-	13,373	8,820	4,553	13,373	8,820	4,553
-	-	-	15,692	13,030	2,662	15,692	13,030	2,662
-	-	-	12,620	9,479	3,141	12,620	9,479	3,141
-	-	-	30,193	10,720	19,473	30,193	10,720	19,473
-	-	-	121,662	84,640	37,022	121,662	84,640	37,022
3,384	3,348	36	767	767	-	4,151	4,115	36
3,384	3,348	36	767	767	-	4,151	4,115	36
-	-	-	429	303	126	429	303	126
-	-	-	429	303	126	429	303	126
-	-	-	-	-	-	3,629	3,488	141
-	-	-	-	-	-	3,629	3,488	141
-	-	-	-	-	-	4,643	3,933	710
-	-	-	-	-	-	4,643	3,933	710
-	-	-	1,341	1,040	301	1,341	1,040	301
-	-	-	1,341	1,040	301	1,341	1,040	301
-	-	-	3,947	2,301	1,646	3,947	2,301	1,646
-	-	-	3,947	2,301	1,646	3,947	2,301	1,646
-	-	-	14,364	8,798	5,566	15,123	9,557	5,566
-	-	-	14,364	8,798	5,566	15,123	9,557	5,566
-	-	-	153,622	153,622	-	153,622	153,622	-
-	-	-	7,679	7,679	-	7,679	7,679	-
-	-	-	4,145	4,145	-	4,145	4,145	-
5,995	5,995	-	1,842	1,842	-	7,837	7,837	-
-	-	-	-	-	-	4,654	4,654	-
-	-	-	-	-	-	480	480	-
-	-	-	4,748	4,748	-	4,748	4,748	-
-	-	-	9,352	9,352	-	24,352	24,352	-
3,919	3,919	-	1,144	1,144	-	5,063	5,063	-
899	899	-	638	638	-	1,537	1,537	-
-	-	-	-	-	-	8,132	8,132	-
-	-	-	-	-	-	9,215	9,215	-
10,813	10,813	-	183,170	183,170	-	231,464	231,464	-
-	-	-	1,518	1,046	472	5,429	4,810	619
38,699	38,699	-	-	-	-	38,699	38,699	-
10,246	10,246	-	-	-	-	10,269	10,269	-
48,945	48,945	-	1,518	1,046	472	54,397	53,778	619

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Dietiticians and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dietiticians and Nutritionists Examining Board	-	-	-
District Attorneys			
Court Operations	27,668	27,237	431
Total District Attorneys	27,668	27,237	431
Educational Television Commission			
Educational Television	-	-	-
Total Educational Television Commission	-	-	-
Electrical Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electrical Contractors Board	-	-	-
Electronic Security Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electronic Security Board	-	-	-
Environmental Management			
Environmental Management	-	-	-
Total Environmental Management	-	-	-
ETF Direct Disbursements			
Debt Service: Auburn University Endowment	-	-	-
Debt Service: Grove Hill Endowment	-	-	-
Debt Service: University of Alabama Endowment	-	-	-
Employee Benefits: Teachers Retirement System Unused Sick Leave Death Benefits	-	-	-
Financial Assistance: Alabama School of Fine Arts	-	-	-
Financial Assistance: American Legion Scholarships	-	-	-
Special Services: Space Science Exhibit Commission	-	-	-
Support - Other Educational Activities: Dental Scholarships	-	-	-
Support - Other Educational Activities: Marine Environmental	-	-	-
Support - Other Educational Activities: Optometric Scholarships	-	-	-
Total ETF Direct Disbursements	-	-	-
ETF Non-State			
Support - Other Educational Activities: Lyman Ward Military Academy	-	-	-
Support - Other Educational Activities: Talladega College	-	-	-
Support - Other Educational Activities: Tuskegee University	-	-	-
Total ETF Non-State	-	-	-
Ethics Commission			
Regulation of Public Officials and Employees	2,453	1,570	883
Total Ethics Commission	2,453	1,570	883
Farmers' Market Authority			
Agricultural Development Services	176	176	-
Total Farmers' Market Authority	176	176	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	150	108	42	150	108	42
-	-	-	150	108	42	150	108	42
-	-	-	-	-	-	27,668	27,237	431
-	-	-	-	-	-	27,668	27,237	431
4,300	4,299	1	1,285	547	738	5,585	4,846	739
4,300	4,299	1	1,285	547	738	5,585	4,846	739
-	-	-	850	673	177	850	673	177
-	-	-	850	673	177	850	673	177
-	-	-	384	310	74	384	310	74
-	-	-	384	310	74	384	310	74
-	-	-	80,194	58,543	21,651	80,194	58,543	21,651
-	-	-	80,194	58,543	21,651	80,194	58,543	21,651
20	20	-	-	-	-	20	20	-
1	1	-	-	-	-	1	1	-
61	61	-	-	-	-	61	61	-
1,740	852	888	-	-	-	1,740	852	888
6,693	6,693	-	-	-	-	6,693	6,693	-
113	87	26	-	-	-	113	87	26
482	482	-	-	-	-	482	482	-
191	191	-	-	-	-	191	191	-
3,604	3,604	-	-	-	-	3,604	3,604	-
107	107	-	-	-	-	107	107	-
13,012	12,098	914	-	-	-	13,012	12,098	914
173	173	-	-	-	-	173	173	-
583	583	-	-	-	-	583	583	-
8,942	8,942	-	-	-	-	8,942	8,942	-
9,698	9,698	-	-	-	-	9,698	9,698	-
-	-	-	-	-	-	2,453	1,570	883
-	-	-	-	-	-	2,453	1,570	883
-	-	-	1,373	1,367	6	1,549	1,543	6
-	-	-	1,373	1,367	6	1,549	1,543	6

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Finance Special Appropriations			
Administration Service and Logistical Support: Removal of Prisoners	820	820	-
Criminal Investigation: Arrest of Absconding Felons	26	10	16
Executive Direction: Governors' Widow Retirement	14	6	8
Fiscal Management: Cash Management Improvement Act	153	13	140
Institutional Service Corrections: Feeding of Prisoners	9,430	9,430	-
Legal Advice and Legal Service: Automatic Appeal Expense	17	-	17
Legal Advice and Legal Service: Court Assessed Cost Not Provided	252	252	-
Legal Advice and Legal Service: Law Enforcement Legal Defense	6	-	6
Special Services: Court Assessed Cost Not Provided	5,611	5,605	6
Special Services: Election Expenses	5,000	5,000	-
Special Services: Emergency Fund, Departmental	4,804	-	4,804
Special Services: Registration of Voters	2,759	2,697	62
Total Finance Special Appropriations	28,892	23,833	5,059
Finance Special Funds			
Appropriation Transfers	-	-	-
Non-State	-	-	-
Special Services	-	-	-
Total Finance Special Funds	-	-	-
Forensic Sciences			
Forensic Science Services	8,601	8,595	6
Total Forensic Sciences	8,601	8,595	6
Foresters Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Foresters Registration Board	-	-	-
Forestry Commission			
Forest Resources Protection and Development	-	-	-
Total Forestry Commission	-	-	-
Forever Wild Land Trust			
Administrative Services	-	-	-
Total Forever Wild Land Trust	-	-	-
Fringe Benefit Accounts			
Fringe Benefits: Judicial Retirement - General Fund Share	2,300	2,300	-
Total Fringe Benefit Accounts	2,300	2,300	-
Funeral Services Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Funeral Services Board	-	-	-
General Contractors Licensing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total General Contractors Licensing Board	-	-	-
General Fund Direct Disbursements			
Water Resource Development: Tennessee-Tombigbee Waterway	100	100	-
Total General Fund Direct Disbursements	100	100	-
General Fund Non-State			
Non-State: Coalition Against Domestic Violence	197	197	-
Total General Fund Non-State	197	197	-
Geological Survey			
Mineral, Energy, and Water Resources	2,277	1,763	514
Total Geological Survey	2,277	1,763	514

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	820	820	-
-	-	-	-	-	-	26	10	16
-	-	-	-	-	-	14	6	8
-	-	-	-	-	-	153	13	140
-	-	-	-	-	-	9,430	9,430	-
-	-	-	-	-	-	17	-	17
-	-	-	-	-	-	252	252	-
-	-	-	-	-	-	6	-	6
-	-	-	-	-	-	5,611	5,605	6
-	-	-	-	-	-	5,000	5,000	-
-	-	-	-	-	-	4,804	-	4,804
-	-	-	-	-	-	2,759	2,697	62
-	-	-	-	-	-	28,892	23,833	5,059
-	-	-	209,037	198,239	10,798	209,037	198,239	10,798
-	-	-	131,538	131,538	-	131,538	131,538	-
-	-	-	378	378	-	378	378	-
-	-	-	340,953	330,155	10,798	340,953	330,155	10,798
-	-	-	19,960	12,506	7,454	28,561	21,101	7,460
-	-	-	19,960	12,506	7,454	28,561	21,101	7,460
-	-	-	200	86	114	200	86	114
-	-	-	200	86	114	200	86	114
-	-	-	26,668	22,711	3,957	26,668	22,711	3,957
-	-	-	26,668	22,711	3,957	26,668	22,711	3,957
-	-	-	7,049	3,775	3,274	7,049	3,775	3,274
-	-	-	7,049	3,775	3,274	7,049	3,775	3,274
-	-	-	-	-	-	2,300	2,300	-
-	-	-	-	-	-	2,300	2,300	-
-	-	-	318	254	64	318	254	64
-	-	-	318	254	64	318	254	64
-	-	-	2,173	1,350	823	2,173	1,350	823
-	-	-	2,173	1,350	823	2,173	1,350	823
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	197	197	-
-	-	-	-	-	-	197	197	-
500	473	27	3,877	1,348	2,529	6,654	3,584	3,070
500	473	27	3,877	1,348	2,529	6,654	3,584	3,070

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Governor's Mansion Authority			
Historical Resources Management	-	-	-
Total Governor's Mansion Authority	-	-	-
Governor's Office on Disability			
Executive Direction	227	94	133
Total Governor's Office on Disability	227	94	133
Health Planning and Development			
Health Planning Development and Regulation	83	83	-
Total Health Planning and Development	83	83	-
Hearing Instrument Dealers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Hearing Instrument Dealers Board	-	-	-
Heating, Air Conditioning, and Refrigeration Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Heating, Air Conditioning, and Refrigeration Contractors Board	-	-	-
High School of Math and Science			
Financial Assistance	-	-	-
Total High School of Math and Science	-	-	-
Historical Commission			
Historical Resources Management: Alabama Historical Commission	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Total Historical Commission	-	-	-
Home Builders Licensure Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Builders Licensure Board	-	-	-
Home Medical Equipment Services Provider Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Medical Equipment Services Provider Board	-	-	-
Homeland Security Office			
Readiness and Recovery	622	620	2
Total Homeland Security Office	622	620	2
Indian Affairs Commission			
Social Services	40	34	6
Total Indian Affairs Commission	40	34	6
Insurance			
Regulatory Services	-	-	-
Total Insurance	-	-	-
Interior Design Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interior Design Registration Board	-	-	-
Interpreters and Translators			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interpreters and Translators	-	-	-
Judicial Inquiry Commission			
Administrative Services	691	568	123
Total Judicial Inquiry Commission	691	568	123

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	483	204	279	483	204	279
-	-	-	483	204	279	483	204	279
-	-	-	-	-	-	227	94	133
-	-	-	-	-	-	227	94	133
-	-	-	1,273	890	383	1,356	973	383
-	-	-	1,273	890	383	1,356	973	383
-	-	-	54	36	18	54	36	18
-	-	-	54	36	18	54	36	18
-	-	-	1,500	1,120	380	1,500	1,120	380
-	-	-	1,500	1,120	380	1,500	1,120	380
6,077	6,073	4	384	16	368	6,461	6,089	372
6,077	6,073	4	384	16	368	6,461	6,089	372
-	-	-	7,487	5,997	1,490	7,487	5,997	1,490
-	-	-	208	198	10	208	198	10
-	-	-	581	375	206	581	375	206
-	-	-	8,276	6,570	1,706	8,276	6,570	1,706
-	-	-	4,108	2,071	2,037	4,108	2,071	2,037
-	-	-	4,108	2,071	2,037	4,108	2,071	2,037
-	-	-	400	244	156	400	244	156
-	-	-	400	244	156	400	244	156
-	-	-	18,221	10,852	7,369	18,843	11,472	7,371
-	-	-	18,221	10,852	7,369	18,843	11,472	7,371
-	-	-	478	408	70	518	442	76
-	-	-	478	408	70	518	442	76
-	-	-	13,840	11,009	2,831	13,840	11,009	2,831
-	-	-	13,840	11,009	2,831	13,840	11,009	2,831
-	-	-	50	29	21	50	29	21
-	-	-	50	29	21	50	29	21
-	-	-	50	37	13	50	37	13
-	-	-	50	37	13	50	37	13
-	-	-	-	-	-	691	568	123
-	-	-	-	-	-	691	568	123

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Knight vs. Alabama Financial Obligation			
Support of State Universities: Alabama State-Ph.D. Microbiology Program	-	-	-
Support of State Universities: Knight vs Alabama 2 year Postsecondary	-	-	-
Total Knight vs. Alabama Financial Obligation	-	-	-
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	-	-	-
Legislative Building Authority			
Legislative Operations and Support	591	564	27
Total Legislative Building Authority	591	564	27
Legislative Council			
Legislative Operations and Support	487	246	241
Total Legislative Council	487	246	241
Legislative Fiscal Office			
Legislative Operations and Support	2,438	1,442	996
Total Legislative Fiscal Office	2,438	1,442	996
Legislative Reference Service			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement - Legislative Reference Service	309	276	33
Legislative Operations and Support: Legislative Reference Service	1,943	1,921	22
Total Legislative Reference Service	2,252	2,197	55
Lieutenant Governor			
Legislative Operations and Support	970	563	407
Total Lieutenant Governor	970	563	407
Liquefied Petroleum Gas Board			
Regulatory Services	-	-	-
Total Liquefied Petroleum Gas Board	-	-	-
Manufactured Housing Commission			
Regulatory Services	-	-	-
Total Manufactured Housing Commission	-	-	-
Marriage and Family Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Marriage and Family Therapy Board	-	-	-
Massage Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Massage Therapy Board	-	-	-
Medical Scholarships Awards Board			
Support - Other Educational Activities	-	-	-
Total Medical Scholarships Awards Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
1,751	1,751	-	-	-	-	1,751	1,751	-
250	-	250	-	-	-	250	-	250
2,001	1,751	250	-	-	-	2,001	1,751	250
-	-	-	69	47	22	69	47	22
-	-	-	69	47	22	69	47	22
-	-	-	2,800	1,931	869	3,391	2,495	896
-	-	-	2,800	1,931	869	3,391	2,495	896
-	-	-	-	-	-	487	246	241
-	-	-	-	-	-	487	246	241
307	306	1	-	-	-	2,745	1,748	997
307	306	1	-	-	-	2,745	1,748	997
88	88	-	170	170	-	258	258	-
-	-	-	-	-	-	309	276	33
-	-	-	-	-	-	1,943	1,921	22
88	88	-	170	170	-	2,510	2,455	55
-	-	-	-	-	-	970	563	407
-	-	-	-	-	-	970	563	407
-	-	-	1,692	1,038	654	1,692	1,038	654
-	-	-	1,692	1,038	654	1,692	1,038	654
-	-	-	4,175	1,995	2,180	4,175	1,995	2,180
-	-	-	4,175	1,995	2,180	4,175	1,995	2,180
-	-	-	50	44	6	50	44	6
-	-	-	50	44	6	50	44	6
-	-	-	150	108	42	150	108	42
-	-	-	150	108	42	150	108	42
740	740	-	400	-	400	1,140	740	400
740	740	-	400	-	400	1,140	740	400

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Military			
Military Operations: Active Military Service	439	297	142
Military Operations: ANG Operations & Maintenance	834	810	24
Military Operations: Counter Drug	-	-	-
Military Operations: Military- Army MCCA	-	-	-
Military Operations: Military Billeting	-	-	-
Military Operations: Operations	1,098	624	474
Military Operations: Operations and Maintenance	6,956	4,674	2,282
Military Operations: Quarters Allowance to Headquarters	1,200	1,131	69
Military Operations: State Defense Force	17	5	12
Total Military	10,544	7,541	3,003
Music Hall of Fame			
Fine Arts	-	-	-
Total Music Hall of Fame	-	-	-
Nursing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Board	-	-	-
Nursing Home Administration Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Home Administration Examining Board	-	-	-
Occupational Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Occupational Therapy Board	-	-	-
Office of Information Technology			
Administrative Support Service	-	-	-
Total Office of Information Technology	-	-	-
Office of Prosecution Services			
Court Operations	-	-	-
Prosecution Training Education and Management	632	632	-
Total Office of Prosecution Services	632	632	-
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Development	2,854	2,480	374
Total Oil and Gas Board	2,854	2,480	374
Pardons and Paroles			
Administration of Pardons and Paroles	25,388	24,635	753
Total Pardons and Paroles	25,388	24,635	753
Peace Officer Annuity and Benefit			
Retirement Systems	-	-	-
Total Peace Officer Annuity and Benefit	-	-	-
Peace Officer Standards and Training			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
Total Peace Officer Standards and Training	-	-	-
Personnel			
Administrative Support Service	-	-	-
Total Personnel	-	-	-
Physical Fitness Commission			
Advisory Services	-	-	-
Total Physical Fitness Commission	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	439	297	142
-	-	-	6,810	5,997	813	7,644	6,807	837
-	-	-	10	6	4	10	6	4
-	-	-	38,495	2,181	36,314	38,495	2,181	36,314
-	-	-	519	450	69	519	450	69
-	-	-	-	-	-	1,098	624	474
-	-	-	45,419	33,010	12,409	52,375	37,684	14,691
-	-	-	-	-	-	1,200	1,131	69
-	-	-	-	-	-	17	5	12
-	-	-	91,253	41,644	49,609	101,797	49,185	52,612
-	-	-	80	27	53	80	27	53
-	-	-	80	27	53	80	27	53
166	166	-	7,529	5,450	2,079	7,695	5,616	2,079
166	166	-	7,529	5,450	2,079	7,695	5,616	2,079
-	-	-	115	72	43	115	72	43
-	-	-	115	72	43	115	72	43
-	-	-	147	117	30	147	117	30
-	-	-	147	117	30	147	117	30
-	-	-	200	35	165	200	35	165
-	-	-	200	35	165	200	35	165
-	-	-	2,000	2,000	-	2,000	2,000	-
-	-	-	7,707	3,487	4,220	8,339	4,119	4,220
-	-	-	9,707	5,487	4,220	10,339	6,119	4,220
-	-	-	977	220	757	3,831	2,700	1,131
-	-	-	977	220	757	3,831	2,700	1,131
-	-	-	16,845	15,355	1,490	42,233	39,990	2,243
-	-	-	16,845	15,355	1,490	42,233	39,990	2,243
-	-	-	600	437	163	600	437	163
-	-	-	600	437	163	600	437	163
348	348	-	500	435	65	848	783	65
249	223	26	4,969	2,020	2,949	5,218	2,243	2,975
597	571	26	5,469	2,455	3,014	6,066	3,026	3,040
-	-	-	11,116	9,421	1,695	11,116	9,421	1,695
-	-	-	11,116	9,421	1,695	11,116	9,421	1,695
963	946	17	19	-	19	982	946	36
963	946	17	19	-	19	982	946	36

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Physical Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Physical Therapy Board	-	-	-
Plumbers and Gas Fitters Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Plumbers and Gas Fitters Examining Board	-	-	-
Polygraph Examiners			
Professional and Occupational Licensure and Regulation	-	-	-
Total Polygraph Examiners	-	-	-
President Pro Tempore Senate			
Legislative Operations and Support	1,930	1,170	760
Total President Pro Tempore Senate	1,930	1,170	760
Proessional Engineers Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Proessional Engineers Registration Board	-	-	-
Professional Geologists Licensing Board			
Mineral, Energy, and Water Resources	-	-	-
Total Professional Geologists Licensing Board	-	-	-
Psychology Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Psychology Examiners Board	-	-	-
Public Education Employees Health Insurance Board			
Administrative Support Service	-	-	-
Total Public Education Employees Health Insurance Board	-	-	-
Public Library Service			
Public Library Services	-	-	-
Total Public Library Service	-	-	-
Public Livestock Market Board			
Agricultural Development Services	-	-	-
Total Public Livestock Market Board	-	-	-
Real Estate Appraisers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Appraisers Board	-	-	-
Real Estate Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Commission	-	-	-
Retirement Systems of Alabama			
Retirement Systems	-	-	-
Total Retirement Systems of Alabama	-	-	-
Securities Commission			
Regulatory Services	-	-	-
Total Securities Commission	-	-	-
Senior Services			
Elderly Medication Program	1,816	1,807	9
Medicaid Waiver Services	19,214	18,815	399
Planning and Advocacy for Elderly	6,226	6,136	90
Total Senior Services	27,256	26,758	498

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	492	305	187	492	305	187
-	-	-	492	305	187	492	305	187
-	-	-	2,329	1,541	788	2,329	1,541	788
-	-	-	2,329	1,541	788	2,329	1,541	788
-	-	-	30	18	12	30	18	12
-	-	-	30	18	12	30	18	12
-	-	-	-	-	-	1,930	1,170	760
-	-	-	-	-	-	1,930	1,170	760
-	-	-	1,572	920	652	1,572	920	652
-	-	-	1,572	920	652	1,572	920	652
-	-	-	75	55	20	75	55	20
-	-	-	75	55	20	75	55	20
-	-	-	294	173	121	294	173	121
-	-	-	294	173	121	294	173	121
-	-	-	4,249	3,160	1,089	4,249	3,160	1,089
-	-	-	4,249	3,160	1,089	4,249	3,160	1,089
7,043	6,782	261	2,750	2,494	256	9,793	9,276	517
7,043	6,782	261	2,750	2,494	256	9,793	9,276	517
-	-	-	3	1	2	3	1	2
-	-	-	3	1	2	3	1	2
-	-	-	873	723	150	873	723	150
-	-	-	873	723	150	873	723	150
-	-	-	5,137	3,486	1,651	5,137	3,486	1,651
-	-	-	5,137	3,486	1,651	5,137	3,486	1,651
-	-	-	50,678	34,171	16,507	50,678	34,171	16,507
-	-	-	50,678	34,171	16,507	50,678	34,171	16,507
-	-	-	10,591	8,194	2,397	10,591	8,194	2,397
-	-	-	10,591	8,194	2,397	10,591	8,194	2,397
-	-	-	-	-	-	1,816	1,807	9
-	-	-	92,883	86,947	5,936	112,097	105,762	6,335
-	-	-	34,577	26,239	8,338	40,803	32,375	8,428
-	-	-	127,460	113,186	14,274	154,716	139,944	14,772

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Serve Alabama			
Executive Direction	31	24	7
Total Serve Alabama	31	24	7
Sickle Cell Oversight Commission			
Support - Other Educational Activities	-	-	-
Total Sickle Cell Oversight Commission	-	-	-
Social Work Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Social Work Examiners Board	-	-	-
Soil and Water Conservation Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Resource Conservation and Development	1,793	1,793	-
Water Resource Development	1,763	1,620	143
Total Soil and Water Conservation Commission	3,556	3,413	143
Speaker of the House			
Speaker of House, Office of	2,051	1,050	1,001
Total Speaker of the House	2,051	1,050	1,001
Speech Pathologists and Audiologists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Speech Pathologists and Audiologists Examining Board	-	-	-
State Bar Association			
Professional and Occupational Licensure and Regulation	-	-	-
Total State Bar Association	-	-	-
State Employees Insurance Board			
Administrative Support Service	-	-	-
Fringe Benefits	-	-	-
Total State Employees Insurance Board	-	-	-
State Executive Commission - Community Services			
Alabama Community Service Grant: House of Representatives	-	-	-
Alabama Community Service Grant: Senate	-	-	-
Total State Executive Commission - Community Services	-	-	-
State Industrial Development Authority			
Industrial Development	-	-	-
Total State Industrial Development Authority	-	-	-
State Law Enforcement			
Readiness and Recovery	260	172	88
Total State Law Enforcement	260	172	88
Supercomputer Authority			
Information Technology Services	-	-	-
Total Supercomputer Authority	-	-	-
Supreme Court			
Court Operations	10,372	9,259	1,113
Total Supreme Court	10,372	9,259	1,113
Supreme Court Law Library			
Court Operations	1,155	1,155	-
Total Supreme Court Law Library	1,155	1,155	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
250	96	154	11,157	6,325	4,832	11,438	6,445	4,993
250	96	154	11,157	6,325	4,832	11,438	6,445	4,993
1,305	1,296	9	-	-	-	1,305	1,296	9
1,305	1,296	9	-	-	-	1,305	1,296	9
-	-	-	345	204	141	345	204	141
-	-	-	345	204	141	345	204	141
-	-	-	5	2	3	5	2	3
-	-	-	-	-	-	1,793	1,793	-
-	-	-	1,626	1,280	346	3,389	2,900	489
-	-	-	1,631	1,282	349	5,187	4,695	492
-	-	-	-	-	-	2,051	1,050	1,001
-	-	-	-	-	-	2,051	1,050	1,001
-	-	-	296	181	115	296	181	115
-	-	-	296	181	115	296	181	115
-	-	-	6,327	5,076	1,251	6,327	5,076	1,251
-	-	-	6,327	5,076	1,251	6,327	5,076	1,251
-	-	-	11,046	4,871	6,175	11,046	4,871	6,175
-	-	-	1,579	1,579	-	1,579	1,579	-
-	-	-	12,625	6,450	6,175	12,625	6,450	6,175
1,500	1,500	-	-	-	-	1,500	1,500	-
1,500	1,500	-	-	-	-	1,500	1,500	-
3,000	3,000	-	-	-	-	3,000	3,000	-
-	-	-	2,350	1,915	435	2,350	1,915	435
-	-	-	2,350	1,915	435	2,350	1,915	435
430	425	5	11,654	1,297	10,357	12,344	1,894	10,450
430	425	5	11,654	1,297	10,357	12,344	1,894	10,450
-	-	-	14,684	13,920	764	14,684	13,920	764
-	-	-	14,684	13,920	764	14,684	13,920	764
-	-	-	-	-	-	10,372	9,259	1,113
-	-	-	-	-	-	10,372	9,259	1,113
-	-	-	-	-	-	1,155	1,155	-
-	-	-	-	-	-	1,155	1,155	-

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Surface Mining Commission			
Industrial Safety and Accident Prevention	-	-	-
Total Surface Mining Commission	-	-	-
Tourism			
Tourism and Travel Promotion	-	-	-
Total Tourism	-	-	-
Veterans Affairs			
Administration of Veterans Affairs	2,100	1,615	485
Student Financial Aid	-	-	-
Veterans' Cemetery	-	-	-
Veterans' Home	-	-	-
Total Veterans Affairs	2,100	1,615	485
Veterinarian Medical Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Veterinarian Medical Examiners Board	-	-	-
Women's Commission			
Employment and Social Opportunities	-	-	-
Total Women's Commission	-	-	-
TOTAL Other	223,001	204,842	18,159
TOTAL EXPENDITURES	\$ 1,496,665	\$ 1,417,755	\$ 78,910
TRANSFERS OUT:			
<u>Education Trust Fund Transfers</u>			
Building Commission	-	-	-
Child Abuse Board	-	-	-
Education Tech Fund Transfer	-	-	-
Human Resources	-	-	-
Mental Health	-	-	-
Public School Fund Endowment	-	-	-
Supercomputer	-	-	-
TOTAL Education Trust Fund Transfers	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	5,086	2,786	2,300	5,086	2,786	2,300
-	-	-	5,086	2,786	2,300	5,086	2,786	2,300
-	-	-	19,733	16,176	3,557	19,733	16,176	3,557
-	-	-	19,733	16,176	3,557	19,733	16,176	3,557
2,497	2,496	1	6,778	2,449	4,329	11,375	6,560	4,815
43,265	43,239	26	-	-	-	43,265	43,239	26
-	-	-	783	200	583	783	200	583
-	-	-	92,466	40,464	52,002	92,466	40,464	52,002
45,762	45,735	27	100,027	43,113	56,914	147,889	90,463	57,426
-	-	-	625	463	162	625	463	162
-	-	-	625	463	162	625	463	162
-	-	-	27	11	16	27	11	16
-	-	-	27	11	16	27	11	16
184,636	182,897	1,739	1,542,403	1,220,898	321,505	1,950,040	1,608,637	341,403
\$ 5,389,043	\$ 5,384,698	\$ 4,345	\$16,009,618	\$13,605,697	\$ 2,403,921	\$22,895,326	\$20,408,150	\$ 2,487,176
510	510	-	-	-	-	510	510	-
1,079	1,079	-	-	-	-	1,079	1,079	-
1,584	1,584	-	-	-	-	1,584	1,584	-
13,415	13,415	-	-	-	-	13,415	13,415	-
28,230	28,230	-	-	-	-	28,230	28,230	-
533	533	-	-	-	-	533	533	-
8,062	8,062	-	-	-	-	8,062	8,062	-
53,413	53,413	-	-	-	-	53,413	53,413	-

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>General Fund Transfers</u>			
Agriculture and Conservation Development Commission	252	252	-
Agriculture and Industries	20	20	-
Alabama Bureau of Investigation Cost of Evidence	25	25	-
Child Abuse Board	50	50	-
Child Health Insurance Program	30,668	30,668	-
Crime Victims Compensation Commission	59	59	-
Environmental Management - Operations	3,020	3,020	-
Environmental Management-Hazardous Substance Fund	11	11	-
Environmental Management-Steel / Dust Sludge	178	93	85
Fair Trial Tax Transfer	50,900	50,900	-
Finance	1,955	1,955	-
Forestry Commission	9,125	9,125	-
Forestry Emergency Forest Fire	-	-	-
Governor's Mansion Authority	188	188	-
Historical Commission	3,070	3,070	-
Human Resources	62,976	62,976	-
Local Emergency Management Agency Assistance	115	115	-
Mental Health	104,723	104,723	-
Surface Mining Commission	164	164	-
Treasurer-SAFE Program	111	111	-
TOTAL General Fund Transfers	267,610	267,525	85
TOTAL TRANSFERS OUT	\$ 267,610	\$ 267,525	\$ 85
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 1,764,275	\$ 1,685,280	\$ 78,995

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	252	252	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	25	25	-
-	-	-	-	-	-	50	50	-
-	-	-	-	-	-	30,668	30,668	-
-	-	-	-	-	-	59	59	-
-	-	-	-	-	-	3,020	3,020	-
-	-	-	-	-	-	11	11	-
-	-	-	-	-	-	178	93	85
-	-	-	-	-	-	50,900	50,900	-
-	-	-	-	-	-	1,955	1,955	-
-	-	-	-	-	-	9,125	9,125	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	188	188	-
-	-	-	-	-	-	3,070	3,070	-
-	-	-	-	-	-	62,976	62,976	-
-	-	-	-	-	-	115	115	-
-	-	-	-	-	-	104,723	104,723	-
-	-	-	-	-	-	164	164	-
-	-	-	-	-	-	111	111	-
-	-	-	-	-	-	267,610	267,525	85
\$ 53,413	\$ 53,413	\$ -	\$ -	\$ -	\$ -	\$ 321,023	\$ 320,938	\$ 85
\$ 5,442,456	\$ 5,438,111	\$ 4,345	\$16,009,618	\$13,605,697	\$ 2,403,921	\$23,216,349	\$20,729,088	\$ 2,487,261

STATE OF ALABAMA

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES

Governmental Funds in State Treasury

Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

TAXES

General Sales Tax (4% on gross retail sale of merchandise)	\$ 2,028,233	10.6%
General Use Tax	308,296	1.6%
Income Tax (2% to 5% personal income, 6.5% net corporate income)	3,498,266	18.3%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	48,247	0.3%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	322,757	1.7%
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	399,143	2.1%
Utilities Tax (6% telephone, 4% other)	400,156	2.1%
Insurance Premium Tax (1% to 6%)	293,900	1.5%
Liquor & Wine Tax (totals 56%, collected by ABC stores)	107,380	0.6%
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	127,724	0.7%
Corporation Taxes (privilege, 25¢ to \$1.75 per \$1,000 net worth; permit, entrance fees for filing)	75,767	0.4%
State Beer Tax (5¢ per 12 oz.)	55,778	0.3%
Public Utilities (2.2%)	144,932	0.8%
Motor Fuel Tax (diesel 17¢ per gallon)	139,708	0.7%
Tennessee Valley Authority (payments in-lieu of all state taxes)	112,087	0.6%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	62,510	0.3%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	114,523	0.6%
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	33,080	0.2%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	70,427	0.4%
Coal Severance Tax (33.5¢ per ton)	9,141	0.0%
Forestry Severance Tax	5,259	0.0%
Inheritance Tax (amount of federal credit)	18	0.0%
Contractors Gross Receipts Tax (5% of gross receipts)	42,052	0.2%
Lodgings Tax (4% or 5% of charge)	53,885	0.3%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	5	0.0%
Lubricating Oil Tax (6¢ per gallon)	1,797	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	1,557	0.0%
Court Cost Taxes	27,674	0.1%
Medicaid Taxes	354,623	1.9%
Cellular Telephones (6%)	80,510	0.4%
Ground Materials Severance Tax	225	0.0%
Miscellaneous Taxes	18,780	0.1%
TOTAL TAXES	8,938,440	46.8%

LICENSES AND FEES

Conservation Licenses (fishing, hunting, boat registration, etc)	26,749	0.1%
Drivers Licenses and Fees	50,432	0.3%
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	57,139	0.3%
Agricultural Licenses and Fees	14,845	0.1%
Wholesale Oil Company License	6,790	0.0%
Motor Vehicle License (\$23.00 on auto; up to \$845.00 on trucks and up to \$210.00 on buses)	159,772	0.8%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	84,159	0.4%
Court Fees	80,326	0.4%
Alcoholic Beverage Licenses	2,720	0.0%
Insurance Corporation Licenses and Fees	1,307	0.0%
Miscellaneous License and Fees	154,952	0.8%
TOTAL LICENSES AND FEES	639,191	3.2%

FINES AND FORFEITS

Court Fines and Forfeits	26,215	0.1%
Tobacco Settlement	141,261	0.7%
Miscellaneous Fines and Forfeits	26,750	0.1%
TOTAL FINES AND FORFEITS	194,226	0.9%

INVESTMENT INCOME**83,019 0.4%****FEDERAL REVENUES****8,343,804 43.7%****OTHER REVENUES**

Rents and Royalties	106,629	0.6%
Reimbursements	90,715	0.5%
Sales of Property or Services	48,606	0.3%
Contributions	16,655	0.1%
Intragovernmental Services	61,609	0.3%
Local Revenues	66,565	0.3%
Medicaid CPE/IGT Revenues	425,038	2.2%
Miscellaneous Revenues	140,626	0.7%
TOTAL OTHER REVENUES	956,443	5.0%

TOTAL REVENUES**\$19,155,123 100.0%**

STATE OF ALABAMA

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES AND DISTRIBUTIONS OF REVENUES

Governmental Funds in State Treasury

Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Total Revenues	Admin- istrative Expense	Net Revenues	Human Resources Funds	General Fund	Public School Fund	Education Trust Fund	Alabama Trust Fund
TAXES								
General Sales Tax	\$ 2,028,233	\$ 48,543	\$ 1,979,690	\$ 71,801	\$ 100,534	\$ 0	\$ 1,543,676	\$ 0
General Use Tax	308,296	3,986	304,310	500	83,383	-	220,369	-
Income Tax	3,498,266	45,863	3,452,403	-	-	-	3,452,403	-
Property Tax Relief	48,247	-	48,247	6,892	18,128	23,227	-	-
General Property Tax	322,757	5,463	317,294	47,844	122,592	146,858	-	-
Gasoline Taxes	399,143	12,672	386,471	-	-	-	-	-
Utilities Tax	400,156	313	399,843	-	-	-	385,243	-
Insurance Premium Tax	293,900	-	293,900	-	257,729	-	30,993	-
Liquor & Wine Tax	107,380	-	107,380	38,511	53,695	-	-	-
Tobacco & Cigarette Taxes	127,724	441	127,283	2,826	110,928	-	-	-
Corporation Taxes	75,767	-	75,767	-	38,000	-	-	-
State Beer Tax	55,778	-	55,778	11,156	16,733	-	22,311	-
Public Utilities	144,932	-	144,932	-	21,902	-	-	-
Motor Fuel Tax	139,708	1,360	138,348	-	-	-	-	-
Tennessee Valley Authority	112,087	-	112,087	-	-	-	-	-
Leasing/Renting Personal Property	62,510	-	62,510	-	62,510	-	-	-
Production Privilege Tax	114,523	-	114,523	-	86,580	-	-	-
Financial Institutions Excise Tax	33,080	131	32,949	-	19,734	-	-	-
Documentary Filing Taxes	70,427	255	70,172	-	70,172	-	-	-
Coal Severance Tax	9,141	-	9,141	-	-	-	-	-
Forestry Severance Tax	5,259	291	4,968	-	-	-	-	-
Inheritance Tax	18	-	18	-	18	-	-	-
Contractors Gross Receipts Tax	42,052	37	42,015	6,292	-	-	-	-
Lodgings Tax	53,885	23	53,862	-	38,884	-	-	-
Hydroelectric Companies	5	-	5	-	-	-	2	-
Lubricating Oil Tax	1,797	13	1,784	-	599	-	-	-
Pari-mutuel Betting	1,557	-	1,557	-	1,557	-	-	-
Court Cost Taxes	27,674	-	27,674	-	8,802	-	-	-
Medicaid Provider Taxes	354,623	224	354,399	-	-	-	-	-
Cellular Telephone Tax	80,510	-	80,510	-	50,938	-	27,725	-
Ground Materials Severance Tax	225	-	225	-	-	-	-	-
Miscellaneous Taxes	18,780	297	18,483	2	3,514	5	-	-
TOTAL TAXES	8,938,440	119,912	8,818,528	185,824	1,166,932	170,090	5,682,722	0
LICENSES AND FEES								
Conservation Licenses	26,749	-	26,749	-	-	-	-	-
Drivers Licenses and Fees	50,432	-	50,432	-	32,988	-	-	-
Petroleum Products Inspection Fee	57,139	-	57,139	-	-	-	-	-
Agricultural License and Fees	14,845	-	14,845	-	-	-	-	-
Wholesale Oil Company License	6,790	-	6,790	-	6,790	-	-	-
Motor Vehicle License	159,772	1,067	158,705	-	42,264	-	-	-
Privilege License	84,159	1,422	82,737	-	11,708	-	71	-
Court Fees	80,326	-	80,326	-	44,419	-	-	-
Alcoholic Beverage Licenses	2,720	-	2,720	-	2,720	-	-	-
Insurance Corp Licenses and Fees	1,307	-	1,307	-	595	-	-	-
Miscellaneous License and Fees	154,952	299	154,653	244	8,918	-	41	-
TOTAL LICENSES AND FEES	639,191	2,788	636,403	244	150,402	0	112	0
FINES AND FORFEITS								
Court Fines and Forfeits	26,215	-	26,215	-	16,903	-	-	-
Tobacco Settlement	141,261	-	141,261	-	-	-	-	-
Miscellaneous Fines and Forfeits	26,750	-	26,750	9	2,400	-	256	-
TOTAL FINES AND FORFEITS	194,226	-	194,226	9	19,303	-	256	0
INVESTMENT INCOME	83,019	-	83,019	-	15,111	-	-	51,288
FEDERAL REVENUES	8,343,804	24	8,343,780	1,713,590	-	-	-	-
Medicaid CPE/IGT Revenues	425,038	-	425,038	-	-	-	-	-
Miscellaneous Revenues	531,405	1,456	529,949	10,529	3,927	2,358	210	82,014
TOTAL REVENUES	\$ 19,155,123	\$ 124,180	\$ 19,030,943	\$ 1,910,196	\$ 1,355,675	\$ 172,448	\$ 5,683,300	\$ 133,302

Distributed To Local Government	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
\$ 5,231	\$ 206,448	\$ 0	\$ 0	\$ 0	\$ 52,000	\$ 0	\$ -	
-	-	-	-	-	-	-	58	Conservation Dept.
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
171,422	-	-	209,583	-	-	-	5,466	Conservation 3.6M
-	-	-	-	14,600	-	-	-	
-	-	-	-	4,525	-	-	653	Insurance Dept
-	3	-	-	15,171	-	-	-	
806	1,800	-	-	8,097	-	-	2,826	State Parks
37,767	-	-	-	-	-	-	-	
5,578	-	-	-	-	-	-	-	
-	-	-	-	123,030	-	-	-	
2,455	-	-	135,893	-	-	-	-	
93,032	-	-	-	-	-	-	19,055	Incentives Fin Auth
-	-	-	-	-	-	-	-	
27,943	-	-	-	-	-	-	-	
13,215	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
4,226	-	-	-	-	-	-	4,915	
-	-	-	-	-	-	-	4,968	Forestry
-	-	-	-	-	-	-	-	
-	-	-	-	35,723	-	-	-	
2,013	-	-	-	-	-	-	12,965	Tourism
-	-	-	-	3	-	-	-	
652	-	-	533	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	2,709	-	16,163	Fair Trial Fd 13.7M
-	-	354,399	-	-	-	-	-	
-	1,847	-	-	-	-	-	-	
225	-	-	-	-	-	-	-	
109	-	-	45	-	-	-	14,808	Labor 4.2M; ADEM 6.1M
364,674	210,098	354,399	346,054	201,149	54,709	0	81,877	
-	-	-	-	-	-	-	26,749	Conservation
810	-	-	-	-	-	-	16,634	Public Safety
8,946	-	-	43,068	-	-	-	5,125	Agriculture
-	-	-	-	-	-	-	14,845	Agriculture
-	-	-	-	-	-	-	-	
21,530	-	-	90,491	-	-	-	4,420	Corrections 3.5M
-	-	-	3,651	3,447	887	-	62,973	Prof & Occup Boards 30.8M
-	-	-	-	123	-	-	35,784	AOC 21.9M; DPS 2.8M; DFS 9.4M
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	712	Insurance Dept
-	-	-	1,319	27,903	-	1	116,227	ADEM 55.5; PSC 17; Pardons 12.8M
31,286	0	0	138,529	31,473	887	1	283,469	
-	-	-	-	-	-	1,602	7,710	DFS 2.3M; DOC 1.9M
-	-	-	-	-	-	-	141,261	21st Century Fund
-	-	3,520	-	-	-	-	20,565	Atty Gen 11.2M
-	0	3,520	0	0	0	1,602	169,536	
-	26	44	515	1	-	48	15,986	Co & City CITF 14.9M
1,947	-	3,769,386	891,701	417,771	916,937	183,243	449,205	EMA 74M; DRS 70; DOL 60
-	-	425,038	-	-	-	-	-	
-	11,810	132,642	62,868	54,250	12,405	3,924	153,012	Cons 36.7; DOC 25.6; Uncl Prop 22.4
\$ 397,907	\$ 221,934	\$ 4,685,029	\$ 1,439,667	\$ 704,644	\$ 984,938	\$ 188,818	\$ 1,153,085	



Nonmajor Enterprise Funds

Nonmajor Enterprise Funds are used to account for the operations of State funds that provide goods and services to external users in a manner similar to private business enterprises. The cost of providing the goods or services are recovered primarily through user charges.

Alabama Fire College and Personnel Standards Commission

Develops and delivers training courses and administers the process of fire service certification in the state.

Alabama Health Insurance Plan

Provides health insurance coverage for citizens who have lost their group health insurance.

Motor Sports Hall of Fame

Operates a public exhibit displaying the history of automotive racing and other motor sports.

Corrections Canteen

Accounts for the activity of the canteen funds of the Department of Corrections.

Military Department

Accounts for the Military Department's billeting activity and the canteen funds for the National Guard.

STATE OF ALABAMA

COMBINING STATEMENT OF NET POSITION
Nonmajor Enterprise Funds

September 30, 2013

(Amounts in Thousands)

	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 3,937	\$ 8,015	\$ 10	\$ 918
Investments, Short-term	5,329	-	105	-
Accounts Receivable	421	67	-	106
Securities Lending Collateral	-	-	-	-
Inventory	95	-	-	907
Other Current Assets	-	300	-	-
Total Current Assets	9,782	8,382	115	1,931
Noncurrent Assets				
Other Noncurrent Assets	2	-	-	-
Capital Assets, Net of Accumulated Depreciation	5,418	-	1,193	-
Capital Assets Not Depreciated	-	-	2,630	-
Total Noncurrent Assets	5,420	0	3,823	0
TOTAL ASSETS	15,202	8,382	3,938	1,931
LIABILITIES				
Current Liabilities				
Due to Other Funds	-	-	-	852
Due to Component Units	-	124	-	-
Accounts Payable	421	7	41	69
Claims Payable	-	2,914	-	-
Unearned Revenue	-	364	-	-
Compensated Absences	300	-	-	-
Securities Lending Obligation	-	-	-	-
Total Current Liabilities	721	3,409	41	921
Noncurrent Liabilities				
Compensated Absences	-	-	10	-
Other Post-employment Benefits	-	-	24	-
Notes and Capital Leases Payable	-	-	1,590	-
Total Noncurrent Liabilities	0	0	1,624	0
Total Liabilities	721	3,409	1,665	921
NET POSITION				
Invested in Capital Assets, Net of Related Debt	5,418	-	2,233	-
Education	10,227	-	-	-
Health	-	4,973	-	-
Unrestricted	(1,164)	-	40	1,010
TOTAL NET POSITION	\$ 14,481	\$ 4,973	\$ 2,273	\$ 1,010

Military		Totals	
Department			
\$	3,494	\$	16,374
	-		5,434
	3		597
	5		5
	228		1,230
	-		300
	3,730		23,940
	-		2
	1,275		7,886
	-		2,630
	1,275		10,518
	5,005		34,458
	-		852
	-		124
	54		592
	-		2,914
	-		364
	-		300
	5		5
	59		5,151
	16		26
	167		191
	-		1,590
	183		1,807
	242		6,958
	1,275		8,926
	-		10,227
	-		4,973
	3,488		3,374
\$	4,763	\$	27,500

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
OPERATING REVENUES				
Charges for Goods and Services	\$ 2,344	\$ 0	\$ 0	\$ 28,794
Premiums and Contributions	-	13,997	-	-
Rents and Leases	-	-	183	-
Total Operating Revenues	2,344	13,997	183	28,794
OPERATING EXPENSES				
Salaries, Wages, and Benefits	-	-	93	-
Utilities and Communications	395	-	-	-
Professional Services	-	11	3	-
Supplies, Materials, and Operating Expenses	6,391	349	6	16,579
Depreciation	491	-	155	-
Claims and Benefits	-	19,955	-	-
Other	-	-	5	-
Total Operating Expenses	7,277	20,315	262	16,579
Operating Income (Loss)	(4,933)	(6,318)	(79)	12,215
NONOPERATING REVENUES (EXPENSES)				
Taxes	-	10,549	-	-
Grants	800	-	-	-
Investment Income	72	3	-	-
Other Nonoperating Revenues	108	-	25	-
Interest Expense	-	-	(73)	-
Other Nonoperating Expenses	(111)	-	-	-
Total Nonoperating Revenues (Expenses)	869	10,552	(48)	0
Income (Loss) Before Contributions and Transfers	(4,064)	4,234	(127)	12,215
Transfers In	2,900	-	-	-
Transfers Out	-	-	-	(12,108)
Increase (Decrease) in Net Position	(1,164)	4,234	(127)	107
Total Net Position, October 1, 2012, as Restated	15,645	739	2,400	903
Total Net Position, September 30, 2013	\$ 14,481	\$ 4,973	\$ 2,273	\$ 1,010

Military Department	Totals
\$ 15,196	\$ 46,334
-	13,997
406	589
15,602	60,920
417	510
136	531
10	24
15,170	38,495
76	722
-	19,955
3	8
15,812	60,245
(210)	675
-	10,549
2	802
16	91
1	134
-	(73)
-	(111)
19	11,392
(191)	12,067
-	2,900
(29)	(12,137)
(220)	2,830
4,983	24,670
\$ 4,763	\$ 27,500

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
Cash Flows from Operating Activities:				
Receipts from Customer & User Charges	\$ 1,740	\$ 14,022	\$ 183	\$ 28,699
Receipts from Interfund Services	-	-	-	-
Receipts from Other Operating Activities	63	10,549	38	-
Payments for Goods Held for Resale	-	-	-	(16,658)
Payments for Other Goods & Services	(1,612)	(339)	(15)	-
Payments for Employees Services	(3,752)	-	(88)	-
Payments for Interfund Services	-	-	-	-
Payments for Other Operating Activities	(72)	-	-	-
Payments for Claims	-	(20,192)	-	-
Net Cash Provided by (Used In) Operating Activities	(3,633)	4,040	118	12,041
Cash Flows from Noncapital Financing Activities:				
Receipts from Noncapital Financing Grants & Donations	108	-	24	-
Transfers from Other Funds for Noncapital Financing	2,900	-	-	-
Transfers to Other Funds for Noncapital Financing	-	-	-	(12,030)
Net Cash Provided By (Used In)				
Noncapital Financing Activities	3,008	0	24	(12,030)
Cash Flows From Capital & Related Financing Activities:				
Payments to Acquire, Construct, & Improve Capital Assets	(35)	-	(28)	-
Principal Paid on Revenue Bonds & Other Capital Debt	-	-	(89)	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	-	(73)	-
Net Cash Provided by (Used in)				
Capital and Related Financing Activities	(35)	0	(190)	0
Cash Flows From Investing Activities				
Receipts from Interest & Dividends on Investments & Loans	72	3	-	-
Net Cash Provided By (Used In) Investing Activities	72	3	0	0
Net Increase (Decrease) In Cash and Cash Equivalents	(588)	4,043	(48)	11
Cash Balance as Restated, October 1, 2012	4,525	3,972	58	907
Cash and Cash Equivalents,				
as Reported on Balance Sheet	\$ 3,937	\$ 8,015	\$ 10	\$ 918

Military		Totals	
Department			
\$	15,599	\$	60,243
	10		10
	1		10,651
	(14,812)		(31,470)
	(504)		(2,470)
	(384)		(4,224)
	(9)		(9)
	-		(72)
	-		(20,192)
	(99)		12,467
	-		132
	-		2,900
	(29)		(12,059)
	(29)		(9,027)
	(26)		(89)
	-		(89)
	-		(73)
	(26)		(251)
	16		91
	16		91
	(138)		3,280
	3,632		13,094
\$	3,494	\$	16,374

Continued on next page...

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS (Continued from Previous Page) Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (4,933)	\$ (6,318)	\$ (79)	\$ 12,215
Adjustments to Reconcile Operating Income (Loss)				
to Net Cash Provided by Operating Activities:				
Due from Other Funds	-	-	-	-
Accounts Receivable	(329)	(37)	-	(94)
Inventory	62	-	-	(91)
Other Assets	1	-	-	-
Salaries Payable	-	-	-	-
Due to Component Units	-	25	-	-
Accounts Payable	414	(4)	(1)	11
Claims Payable	-	(183)	-	-
Unearned Revenue	(60)	8	-	-
Compensated Absences	-	-	-	-
Other Post-employment Benefits	-	-	5	-
Other Liabilities	(7)	-	-	-
Depreciation	491	-	155	-
Nonoperating Revenues	800	10,549	38	-
Nonoperating Expenses	(72)	-	-	-
Total Adjustments	1,300	10,358	197	(174)
Net Cash Provided (Used) by Operating Activities	\$ (3,633)	\$ 4,040	\$ 118	\$ 12,041
Noncash Investing, Capital, and Financing Activities				
Increase (Decrease):				
Capital Assets Acquired by Capital Contribution	-	-	-	-
Disposals of Capital Assets	-	-	(13)	-
Capital Assets Acquired on Account	-	-	-	-

Military		Totals	
Department			
\$	(210)	\$	675
	10		10
	(3)		(463)
	(27)		(56)
	-		1
	(3)		(3)
	-		25
	22		442
	-		(183)
	-		(52)
	3		3
	31		36
	-		(7)
	76		722
	2		11,389
	-		(72)
	111		11,792
\$	(99)	\$	12,467

1	1
-	(13)
1	1



Internal Service Funds

Internal Service Funds account for the operation of State funds which provide goods and services primarily to other State funds on a cost-reimbursement basis.

Telecommunications Fund

Provides for the coordination and promotion of efficiency in the acquisition, operation and maintenance of telecommunications and computer equipment, services, systems, and networks used by state agencies.

Service Division

Accounts for various services provided to State agencies including janitorial services, motor pool, mail services, and building maintenance.

Correctional Industries

Accounts for the manufacturing activities of the State's correctional facilities.

Building Renovation Finance Authority

Accounts for the rental and maintenance of the buildings in the State Capitol Complex.

Risk Management

Accounts for resources used to provide insurance coverage for State buildings, school buildings, and their contents. Risk Management also insures State employees against work related injuries as well as employment-related liability claims.

Other Internal Service Funds

Account for other small internal service funds operated by the Finance and Military Departments.

STATE OF ALABAMA

COMBINING STATEMENT OF NET POSITION
Internal Service Funds

September 30, 2013

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 11,329	\$ 1,944	\$ 3,657	\$ 28,989	\$ 29,411
Investments, Short-term	-	-	-	-	7,207
Due from Other Funds	8,719	1,578	1,514	870	828
Due from Component Units	46	68	6	8	91
Accounts Receivable	318	251	1	34	1,500
Securities Lending Collateral	150	26	48	350	81
Inventory	-	808	10,725	-	-
Other Current Assets	-	-	-	-	11,959
Total Current Assets	20,562	4,675	15,951	30,251	51,077
Noncurrent Assets					
Investments, Long-term	-	-	-	-	119,424
Due From Other Funds	-	-	-	-	28,125
Due From Component Units	-	-	-	-	376
Other Noncurrent Assets	-	-	-	491	-
Capital Assets, Net of Accumulated Depreciation	7,807	1,122	1,876	28,213	82
Capital Assets Not Depreciated	-	-	620	27,754	783
Total Noncurrent Assets	7,807	1,122	2,496	56,458	148,790
TOTAL ASSETS	28,369	5,797	18,447	86,709	199,867
LIABILITIES					
Current Liabilities					
Warrants Payable	-	1	6	1	2,259
Due to Other Funds	135	11	82	18	335
Due to Component Units	-	-	-	-	300
Accounts Payable	5,318	1,128	941	944	21,038
Due to Other Governments	-	-	1	39	-
Claims Payable	-	-	-	-	22,646
Compensated Absences	60	-	-	-	-
Securities Lending Obligation	150	26	48	350	81
Notes and Capital Leases Payable	1,557	235	-	-	-
Revenue Bonds Payable	-	-	-	2,575	-
Total Current Liabilities	7,220	1,401	1,078	3,927	46,659
Noncurrent Liabilities					
Claims Payable	-	-	-	-	42,553
Due To Other Funds	24	-	-	-	17,200
Compensated Absences	2,192	77	530	406	429
Other Post-employment Benefits	4,183	629	2,101	1,414	1,281
Notes and Capital Leases Payable	2,783	-	-	-	-
Revenue Bonds Payable	-	-	-	46,462	-
Other Long-term Liabilities	1,416	-	-	-	-
Total Noncurrent Liabilities	10,598	706	2,631	48,282	61,463
Total Liabilities	17,818	2,107	3,709	52,209	108,122
NET POSITION					
Invested in Capital Assets, Net of Related Debt	3,467	887	2,496	9,501	865
Restricted for:					
Capital Projects	-	-	-	2,570	-
Unrestricted	7,084	2,803	12,242	22,429	90,880
TOTAL NET POSITION	\$ 10,551	\$ 3,690	\$ 14,738	\$ 34,500	\$ 91,745

Other Internal Service Funds		Totals	
\$	8,137	\$	83,467
	-		7,207
	1,937		15,446
	-		219
	-		2,104
	108		763
	-		11,533
	-		11,959
	10,182		132,698
	-		119,424
	-		28,125
	-		376
	-		491
	19		39,119
	675		29,832
	694		217,367
	10,876		350,065
	-		2,267
	32		613
	-		300
	1,514		30,883
	-		40
	-		22,646
	-		60
	108		763
	-		1,792
	-		2,575
	1,654		61,939
	-		42,553
	675		17,899
	856		4,490
	830		10,438
	-		2,783
	-		46,462
	-		1,416
	2,361		126,041
	4,015		187,980
	694		17,910
	-		2,570
	6,167		141,605
\$	6,861	\$	162,085

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Internal Service Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
OPERATING REVENUES					
Charges for Goods and Services	\$ 45,467	\$ 11,049	\$ 9,447	\$ 838	\$ 290
Premiums and Contributions	-	-	-	-	52,108
Rents and Leases	-	-	-	18,396	-
Total Operating Revenues	45,467	11,049	9,447	19,234	52,398
OPERATING EXPENSES					
Salaries, Wages, and Benefits	15,187	1,344	4,305	3,398	4,752
Utilities and Communications	16,034	57	434	3,457	54
Professional Services	5,202	229	337	1,378	4,914
Supplies, Materials, and Operating Expenses	6,450	7,748	7,397	576	27,063
Interest	-	-	-	217	-
Depreciation	2,795	444	289	2,993	52
Claims and Benefits	-	-	-	-	53,135
Other	2,863	1,366	379	1,077	233
Total Operating Expenses	48,531	11,188	13,141	13,096	90,203
Operating Income (Loss)	(3,064)	(139)	(3,694)	6,138	(37,805)
NONOPERATING REVENUES (EXPENSES)					
Grants	44	7	32	15	18
Investment Income	-	-	-	9	6,360
Other Nonoperating Revenues	3	101	43	14	223
Interest Expense	(92)	(28)	-	(2,096)	-
Other Nonoperating Expenses	-	(6)	(2)	-	(381)
Total Nonoperating Revenues (Expenses)	(45)	74	73	(2,058)	6,220
Income (Loss) Before Contributions and Transfers	(3,109)	(65)	(3,621)	4,080	(31,585)
Capital Contributions	-	-	-	-	-
Transfers In	576	-	4,074	5,779	-
Transfers Out	(248)	(9)	(36)	(1,955)	(16)
Increase (Decrease) in Net Position	(2,781)	(74)	417	7,904	(31,601)
Total Net Position, October 1, 2012, as Restated	13,332	3,764	14,321	26,596	123,346
Total Net Position, September 30, 2013	\$ 10,551	\$ 3,690	\$ 14,738	\$ 34,500	\$ 91,745

Other Internal Service Funds	Totals
\$ 3,547	\$ 70,638
-	52,108
-	18,396
3,547	141,142
3,410	32,396
17	20,053
512	12,572
42	49,276
-	217
18	6,591
-	53,135
209	6,127
4,208	180,367
(661)	(39,225)
9	125
-	6,369
1	385
-	(2,216)
(5,484)	(5,873)
(5,474)	(1,210)
(6,135)	(40,435)
4	4
4,582	15,011
(11)	(2,275)
(1,560)	(27,695)
8,421	189,780
\$ 6,861	\$ 162,085

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 1,697	\$ 1,106	\$ 1,450	\$ 42	\$ 34,008
Receipts from Interfund Services	44,996	9,400	7,598	19,549	38,250
Receipts from Other Operating Activities	89	9	37	1	139
Payments for Goods Held for Resale	(62)	(7,204)	(9,285)	-	-
Payments for Other Goods & Services	(28,898)	(1,578)	(1,310)	(6,056)	(46,691)
Payments for Employees Services	(14,495)	(1,224)	(4,243)	(3,142)	(4,410)
Payments for Interfund Services	(1,915)	(375)	(482)	(375)	(1,658)
Payments for Other Operating Activities	(811)	(1)	(44)	(12)	(461)
Payments for Claims	-	-	-	-	(50,845)
Net Cash Provided by (Used In) Operating Activities	601	133	(6,279)	10,007	(31,668)
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	576	-	4,074	5,779	-
Transfers to Other Funds for Noncapital Financing	(248)	(9)	(36)	(1,955)	(692)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	328	(9)	4,038	3,824	(692)
Cash Flows From Capital & Related Financing Activities:					
Receipts from Sale of Capital Assets & Insurance Proceeds	7	110	21	2	1
Payments to Acquire, Construct, & Improve Capital Assets	(1,334)	(584)	(94)	(1,833)	(797)
Principal Paid on Revenue Bonds & Other Capital Debt	(1,193)	(246)	-	(8,372)	-
Interest Paid on Revenue Bonds & Other Capital Debt	(89)	(39)	-	(2,437)	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	(2,609)	(759)	(73)	(12,640)	(796)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	-	-	487,012
Receipts from Interest & Dividends on Investments & Loans	-	-	-	9	3,300
Purchase of Investments	-	-	-	-	(449,273)
Net Cash Provided By (Used In) Investing Activities	0	0	0	9	41,039
Net Increase (Decrease) In Cash and Cash Equivalents	(1,680)	(635)	(2,314)	1,200	7,883
Cash Balance as Restated, October 1, 2012	13,009	2,578	5,965	27,788	19,269
Cash Balance, September 30, 2013	11,329	1,943	3,651	28,988	27,152
Add: Warrants Payable	-	1	6	1	2,259
Cash and Cash Equivalents, as Reported on Balance Sheet	\$ 11,329	\$ 1,944	\$ 3,657	\$ 28,989	\$ 29,411

Other Internal Service Funds	Totals
\$ 1	\$ 38,304
3,536	123,329
2	277
-	(16,551)
(332)	(84,865)
(3,168)	(30,682)
(504)	(5,309)
(2)	(1,331)
-	(50,845)
(467)	(27,673)
3,361	13,790
(11)	(2,951)
3,350	10,839
-	141
(5,038)	(9,680)
-	(9,811)
-	(2,565)
(5,038)	(21,915)
-	487,012
-	3,309
-	(449,273)
0	41,048
(2,155)	2,299
10,292	78,901
8,137	81,200
-	2,267
\$ 8,137	\$ 83,467

Continued on next page...

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS (Continued from Previous Page)
Internal Service Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (3,064)	\$ (139)	\$ (3,694)	\$ 6,138	\$ (37,805)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	676	(239)	(17)	223	(15,894)
Accounts Receivable	241	9	(2)	(20)	142
Inventory	-	899	(2,257)	-	-
Other Assets	-	-	-	-	1,266
Due to Other Funds	(806)	(7)	(379)	120	17,090
Accounts Payable	70	(957)	(410)	78	(4,012)
Claims Payable	-	-	-	-	7,524
Unearned Revenue	-	-	-	-	4
Compensated Absences	(18)	(25)	(204)	(23)	29
Other Post-employment Benefits	787	132	339	266	282
Other Liabilities	(124)	-	-	-	-
Operating Interest Expense	-	-	-	217	-
Depreciation	2,795	444	289	2,993	52
Nonoperating Revenues	44	16	56	15	19
Nonoperating Expenses	-	-	-	-	(365)
Total Adjustments	3,665	272	(2,585)	3,869	6,137
Net Cash Provided (Used) by Operating Activities	\$ 601	\$ 133	\$ (6,279)	\$ 10,007	\$ (31,668)
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Capital Assets Acquired by Capital Contribution	4,268	14	10	650	7
Disposals of Capital Assets	(1,106)	(316)	-	(641)	(4)
Capital Asset Reassignments	(2)	(51)	-	-	-
Capital Assets Acquired on Account	7	-	7	-	27
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	217	-
Interest Accruals and Other Adjustments	-	-	-	-	770
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	2,423
Transfers In (Out)	-	-	-	-	675

Other Internal Service Funds	Totals
\$ (661)	\$ (39,225)
(1)	(15,252)
-	370
-	(1,358)
(4)	1,262
(8)	16,010
81	(5,150)
-	7,524
-	4
(66)	(307)
164	1,970
-	(124)
-	217
18	6,591
10	160
-	(365)
194	11,552
<u>\$ (467)</u>	<u>\$ (27,673)</u>

715	5,664
(1,689)	(3,756)
(5,492)	(5,545)
1,119	1,160
-	217
-	770
-	2,423
1,221	1,896



Pension and Other Employee Benefit Trust Funds

Pension and Other Employee Benefit Trust Funds account for the resources held in trust for members and beneficiaries of retirement plans and other employee benefit plans administered by the State.

Employees' Retirement System

Accounts for a pension plan for the benefit of State employees, State police, and employees of other eligible governmental organizations such as cities and counties within the State.

Teachers' Retirement System

Accounts for a pension plan for the benefit of employees of State supported educational institutions.

Judicial Retirement Fund

Accounts for a pension plan for the benefit of judges of the State's Supreme Court, Court of Civil Appeals, Court of Criminal Appeals, and Circuit Court.

Peace Officers' Annuity and Benefits

Provides pension benefits to State and local peace officers.

State Port Authority Hourly Plan

Is a retirement fund for certain hourly employees of the Alabama State Port Authority who are not members of the State Employees' Retirement System.

State Port Authority Railway Plan

Is a retirement fund for certain employees of the Alabama State Port Authority who are not members of the State Employees' Retirement System.

Clerks and Registers Supernumerary

Is a pension plan for certain employees of the court system.

Flexible Employees' Benefits Board

Provides a number of benefit programs to State employees such as a cafeteria plan, health care reimbursement accounts, and dependent care reimbursement accounts.

Alabama Deferred Compensation Plan

Accounts for resources contributed by State employees for a deferred compensation plan sponsored by the Personnel Board.

RSA Employee Savings Plans

Accounts for resources contributed by public employees for deferred compensation plans and individual retirement accounts sponsored by the Retirement Systems of Alabama.

Retired Education Employees' Health Care Trust

Provides post-employment health insurance benefits for retired employees of State supported educational institutions.

Retired State Employees' Health Care Trust

Provides post-employment health insurance benefits for retired State employees.

STATE OF ALABAMA

COMBINING STATEMENT OF PLAN NET POSITION
Pension and Other Employee Benefit Trust Funds

September 30, 2013

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefits	State Port Authority Hourly Plan
ASSETS					
Cash and Cash Equivalents	\$ 16,456	\$ 54,779	\$ 2,498	\$ 189	\$ 0
Investments					
U.S. Treasury Securities	296,114	650,756	15,266	1,949	3,039
U.S. Agency Securities	97,513	219,743	6,948	812	794
Mortgage Backed Securities	174,919	387,526	8,539	1,461	1,626
Corporate Stocks	5,056,820	10,514,970	144,746	-	2,274
Corporate Bonds	1,697,551	3,504,895	29,338	2,525	4,196
Real Estate	955,067	1,963,274	3,062	-	-
Commercial Paper	279,989	235,994	2,999	-	1,796
International Stocks	1,309,366	2,951,446	39,348	-	-
Guaranteed Investment Contracts	-	-	-	-	-
Mutual and Money Market Funds	109,156	142,161	2,756	14,582	716
Receivables					
Employer Contributions Receivable	29,798	50,937	481	-	-
Member Contributions Receivable	17,997	37,717	168	-	-
Federal On-Behalf Contributions Receivable	-	-	-	-	-
Investment Sales Receivable	7,612	14,605	1	-	-
Accounts Receivable	33,163	70,273	965	64	79
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	500,303	1,166,954	25,220	2	1,989
Other Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	45,225	90,986	-	4	-
Capital Assets Not Depreciated	2,535	5,085	-	-	-
TOTAL ASSETS	10,629,584	22,062,101	282,335	21,588	16,509
LIABILITIES					
Warrants Payable	\$ 11,995	\$ 28,639	\$ 517	\$ 87	\$ 0
Investment Purchases Payable	19,122	38,095	116	-	-
Due to Other Funds	-	-	-	3	-
Accounts Payable	1,450	2,416	90	31	-
Due to Other Governments	-	-	-	-	-
Claims Payable	-	-	-	-	-
Securities Lending Obligation	500,303	1,166,954	25,220	2	1,989
Deferred Revenue	-	-	-	-	-
Compensated Absences	1,664	2,718	-	85	-
Other Post-employment Benefits	3,248	3,097	32	91	-
Notes and Mortgages Payable	-	-	-	-	-
TOTAL LIABILITIES	537,782	1,241,919	25,975	299	1,989
NET POSITION					
Restricted for Pension and Other Employee Benefits	10,091,802	20,820,182	256,360	21,289	14,520
TOTAL NET POSITION	\$ 10,091,802	\$ 20,820,182	\$ 256,360	\$ 21,289	\$ 14,520

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Alabama Deferred Compensation Plan	RSA Employee Savings Plans	Retired Educ Employees' Health Care Trust	Retired State Employees' Health Care Trust	Totals
\$ 0	\$ 21	\$ 964	\$ 0	\$ 871	\$ 0	\$ 0	\$ 75,778
172	2,711	-	-	333,840	95,006	12,173	1,411,026
45	812	-	-	107,659	33,904	5,653	473,883
92	1,524	-	-	180,023	47,682	6,345	809,737
129	-	-	-	365,933	495,161	66,261	16,646,294
238	4,464	-	-	572,235	132,449	19,853	5,967,744
-	-	-	-	-	-	-	2,921,403
102	749	-	-	107,996	124,993	4,999	759,617
-	-	-	20,785	-	117,241	16,322	4,454,508
-	-	-	245,348	-	-	-	245,348
41	963	-	216,027	71,157	27,139	10,395	595,093
-	-	-	-	-	-	-	81,216
-	-	-	-	-	-	2,559	58,441
-	-	-	-	-	8,607	762	9,369
-	2	-	-	7	3	-	22,230
4	76	58	-	10,000	23,367	684	138,733
-	-	-	6,220	-	-	-	6,220
113	2,276	13	-	185,287	71,200	10,970	1,964,327
-	-	-	-	-	684	-	684
-	-	-	-	-	-	-	136,215
-	-	-	-	-	-	-	7,620
936	13,598	1,035	488,380	1,935,008	1,177,436	156,976	36,785,486
\$ 0	\$ 21	\$ 0	\$ 0	\$ 870	\$ 0	\$ 0	\$ 42,129
-	-	-	-	123	439	-	57,895
-	-	-	-	-	-	-	3
-	-	552	-	-	-	58	4,597
-	-	-	-	-	255	-	255
-	-	-	-	-	30,602	10,699	41,301
113	2,276	13	-	185,287	71,200	10,970	1,964,327
-	-	-	-	-	-	2,499	2,499
-	-	-	-	-	-	-	4,467
-	-	-	-	-	-	-	6,468
-	-	1,000	-	-	-	-	1,000
113	2,297	1,565	0	186,280	102,496	24,226	2,124,941
823	11,301	(530)	488,380	1,748,728	1,074,940	132,750	34,660,545
\$ 823	\$ 11,301	\$ (530)	\$ 488,380	\$ 1,748,728	\$ 1,074,940	\$ 132,750	\$ 34,660,545

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefits	State Port Authority Hourly Plan
ADDITIONS					
Contributions:					
Plan members	\$ 221,822	\$ 474,249	\$ 3,677	\$ 557	\$ 0
Employer	338,871	627,893	13,903	3,903	1,110
Federal On-Behalf	-	-	-	-	-
Total Contributions	560,693	1,102,142	17,580	4,460	1,110
Investment Earnings					
Investment Interest and Dividends	310,220	638,766	6,912	538	426
Net Increase (Decrease) in Fair Value of Investments	984,716	2,090,646	25,207	2,081	(148)
Securities Lending Income	5,780	12,753	184	-	16
Total Investment Earnings	1,300,716	2,742,165	32,303	2,619	294
Less:					
Investment Expense	2,722	5,717	-	31	-
Securities Lending Interest and Fees	1,705	3,747	58	-	5
Net Investment Income	1,296,289	2,732,701	32,245	2,588	289
Other Additions					
Interest from Mortgages and Loans Receivable	-	-	-	-	-
Miscellaneous	2,084	3,422	242	7	-
Total Other Additions	2,084	3,422	242	7	0
Total Additions	1,859,066	3,838,265	50,067	7,055	1,399
DEDUCTIONS					
Benefit Payments and Refunds	943,899	1,951,022	29,307	4,774	1,103
Administrative Expense	11,868	16,985	275	393	-
Total Deductions	955,767	1,968,007	29,582	5,167	1,103
Change in Net Position	903,299	1,870,258	20,485	1,888	296
Net Position Restricted for Pension and Other					
Employee Benefits, October 1, 2012, as Restated	9,188,503	18,949,924	235,875	19,401	14,224
Net Position Restricted for Pension and Other					
Employee Benefits, September 30, 2013	\$ 10,091,802	\$ 20,820,182	\$ 256,360	\$ 21,289	\$ 14,520

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Alabama Deferred Compensation Plan	RSA Employee Savings Plans	Retired Educ Employees' Health Care Trust	Retired State Employees' Health Care Trust	Totals
\$ 0	\$ 338	\$ 25,750	\$ 36,118	\$ 145,420	\$ 98,215	\$ 31,245	\$ 1,037,391
176	-	2,730	-	-	311,552	105,823	1,405,961
-	-	-	-	-	34,616	8,795	43,411
176	338	28,480	36,118	145,420	444,383	145,863	2,486,763
24	381	-	12,105	55,013	24,739	3,441	1,052,565
-	(444)	-	33,542	(530)	83,993	11,489	3,230,552
1	14	-	-	2,081	756	121	21,706
25	(49)	0	45,647	56,564	109,488	15,051	4,304,823
-	-	-	2,351	-	-	-	10,821
-	5	-	-	602	222	36	6,380
25	(54)	0	43,296	55,962	109,266	15,015	4,287,622
-	-	-	286	-	-	-	286
-	-	8	-	8	-	-	5,771
0	0	8	286	8	0	0	6,057
201	284	28,488	79,700	201,390	553,649	160,878	6,780,442
176	474	26,363	37,271	136,789	407,879	143,801	3,682,858
-	-	1,874	1,387	-	1,108	205	34,095
176	474	28,237	38,658	136,789	408,987	144,006	3,716,953
25	(190)	251	41,042	64,601	144,662	16,872	3,063,489
798	11,491	(781)	447,338	1,684,127	930,278	115,878	31,597,056
\$ 823	\$ 11,301	\$ (530)	\$ 488,380	\$ 1,748,728	\$ 1,074,940	\$ 132,750	\$ 34,660,545



Private-Purpose Trust Funds

Private-Purpose Trust Funds report trust arrangements where the principal and income benefit individuals, private organizations or other governments.

Prepaid Affordable College Tuition

Accounts for the operation of a prepaid college tuition plan for the benefit of individual citizens of Alabama.

Alabama College Education Savings Plan

Accounts for the operation of an individual college tuition savings plan.

Local Education Endowments

Accounts for the proceeds of several endowments donated by private citizens for the benefit of specific local school systems.

Foundation for Local Schools

Accounts for monies donated by the private sector which are invested and used for the benefit of specific local public schools.

STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
Private-Purpose Trust Funds

September 30, 2013

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	Foundation for Local Schools	Totals
ASSETS					
Cash and Cash Equivalents	\$ 53,856	\$ 1,754	\$ 0	\$ 0	\$ 55,610
Investments					
U.S. Treasury Securities	33,819	-	805	226	34,850
U.S. Agency Securities	28,522	-	234	72	28,828
State and Local Government Securities	1,202	-	-	-	1,202
Mortgage Backed Securities	40,420	-	462	135	41,017
Corporate Stocks	2	-	5,149	-	5,151
Corporate Bonds	75,978	-	1,201	373	77,552
Real Estate	-	-	840	-	840
Mutual and Money Market Funds	17,668	1,062,063	846	89	1,080,666
Receivables					
Accounts Receivable	1,253	2,597	-	7	3,857
Securities Lending Collateral	664	3	701	215	1,583
Capital Assets, Net of Accumulated Depreciation	4	-	-	-	4
TOTAL ASSETS	253,388	1,066,417	10,238	1,117	1,331,160
LIABILITIES					
Warrants Payable	304	-	-	-	304
Due to Other Funds	4	-	-	-	4
Accounts Payable	35,052	1,752	-	-	36,804
Securities Lending Obligation	664	3	701	215	1,583
Amounts Held in Custody for Others	-	1,651	-	-	1,651
Compensated Absences	20	17	-	-	37
Other Post-employment Benefits	85	16	-	-	101
TOTAL LIABILITIES	36,129	3,439	701	215	40,484
NET POSITION					
Restricted for Beneficiaries	217,259	1,062,978	9,537	902	1,290,676
TOTAL NET POSITION	\$ 217,259	\$ 1,062,978	\$ 9,537	\$ 902	\$ 1,290,676

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Private-Purpose Trust Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	Foundation for Local Schools	Totals
ADDITIONS					
Contributions:					
Plan members	\$ 3,163	\$ 151,063	\$ 0	\$ 0	\$ 154,226
Total Contributions	3,163	151,063	0	0	154,226
Investment Earnings					
Investment Interest and Dividends	8,862	29,602	219	32	38,715
Net Increase (Decrease) in Fair Value of Investments	(6,478)	78,037	688	(38)	72,209
Securities Lending Income	-	-	6	1	7
Total Investment Earnings	2,384	107,639	913	(5)	110,931
Less:					
Securities Lending Interest and Fees	-	-	2	-	2
Net Investment Income	2,384	107,639	911	(5)	110,929
Other Additions					
Miscellaneous	410	-	-	-	410
Total Other Additions	410	0	0	0	410
Total Additions	5,957	258,702	911	(5)	265,565
DEDUCTIONS					
Benefit Payments and Refunds	92,852	80,818	412	-	174,082
Administrative Expense	1,410	6,618	-	-	8,028
Transfers Out	-	731	-	-	731
Total Deductions	94,262	88,167	412	0	182,841
Change in Net Position	(88,305)	170,535	499	(5)	82,724
Net Position Restricted					
for Beneficiaries, October 1, 2012, as Restated	305,564	892,443	9,038	907	1,207,952
Net Position Restricted					
for Beneficiaries, September 30, 2013	\$ 217,259	\$ 1,062,978	\$ 9,537	\$ 902	\$ 1,290,676



Agency Funds

Agency Funds report assets held by the State in a purely custodial capacity (assets equal liabilities). Agency funds typically involve the receipt, temporary investment, and remittance of resources to individuals, organizations or other governments.

State Clearing Accounts

Accounts for the collection and distribution of State taxes and licenses as well as amounts collected and held by courts for individuals.

Taxes Collected for Local Governments

Accounts for local taxes which are collected by the State as a service for local governments. These taxes do not represent future revenues of the State.

Payroll

Accounts for amounts withheld from employees that are not yet distributed to outside organizations or governments.

Other Agency Funds

Are aggregated for financial reporting purposes and represent amounts held for child support payments, cash bonds, and numerous other amounts held for individuals and organizations outside of State government.

STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Agency Funds

September 30, 2013

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected for Local Governments	Payroll	Other Agency Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 161,321	\$ 7,160	\$ 2,962	\$ 21,140	\$ 192,583
Investments	-	-	-	54,785	54,785
Due from Other Funds	1	-	-	48	49
Accounts Receivable	2	-	-	27	29
Due from Other Governments	-	-	-	3,206	3,206
Securities Lending Collateral	381	95	39	134	649
TOTAL ASSETS	\$ 161,705	\$ 7,255	\$ 3,001	\$ 79,340	\$ 251,301
LIABILITIES					
Warrants Payable	\$ 13,756	\$ 264	\$ 2,376	\$ 1,182	\$ 17,578
Accounts Payable	18	-	-	367	385
Due to Other Governments	565	6,896	-	159	7,620
Securities Lending Obligation	381	95	39	134	649
Amounts Held in Custody for Others	146,985	-	586	77,498	225,069
TOTAL LIABILITIES	\$ 161,705	\$ 7,255	\$ 3,001	\$ 79,340	\$ 251,301



STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES Agency Funds

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013
STATE CLEARING ACCOUNTS				
ASSETS				
Cash and Cash Equivalents	\$ 156,139	\$ 19,145,557	\$ 19,140,375	\$ 161,321
Due from Other Funds	-	4,663	4,662	1
Accounts Receivable	2	1,071	1,071	2
Taxes Receivable	-	432,213	432,213	-
Securities Lending Collateral	171	381	171	381
TOTAL ASSETS	\$ 156,312	\$ 19,583,885	\$ 19,578,492	\$ 161,705
LIABILITIES				
Warrants Payable	\$ 18,378	\$ 713,867	\$ 718,489	\$ 13,756
Due to Other Funds	-	897,822	897,822	-
Accounts Payable	1	33,416	33,399	18
Tax Refunds Payable	-	258,400	258,400	-
Due to Other Governments	629	5,207	5,271	565
Securities Lending Obligation	171	381	171	381
Amounts Held Pending Distribution	-	39,017,644	39,017,644	-
Deferred Revenue	-	6,925	6,925	-
Amounts Held in Custody for Others	137,133	391,457	381,605	146,985
TOTAL LIABILITIES	\$ 156,312	\$ 41,325,119	\$ 41,319,726	\$ 161,705
TAXES COLLECTED FOR LOCAL GOVTS				
ASSETS				
Cash and Cash Equivalents	\$ 4,006	\$ 366,333	\$ 363,179	\$ 7,160
Securities Lending Collateral	25	95	25	95
TOTAL ASSETS	\$ 4,031	\$ 366,428	\$ 363,204	\$ 7,255
LIABILITIES				
Warrants Payable	\$ 351	\$ 294,459	\$ 294,546	\$ 264
Accounts Payable	-	10,522	10,522	-
Due to Other Governments	3,655	366,428	363,187	6,896
Securities Lending Obligation	25	95	25	95
Amounts Held Pending Distribution	-	438	438	-
TOTAL LIABILITIES	\$ 4,031	\$ 671,942	\$ 668,718	\$ 7,255
PAYROLL				
ASSETS				
Cash and Cash Equivalents	\$ 2,419	\$ 2,193,682	\$ 2,193,139	\$ 2,962
Due from Other Funds	-	4	4	-
Accounts Receivable	2	-	2	-
Securities Lending Collateral	15	39	15	39
TOTAL ASSETS	\$ 2,436	\$ 2,193,725	\$ 2,193,160	\$ 3,001
LIABILITIES				
Warrants Payable	\$ 1,793	\$ 1,736,058	\$ 1,735,475	\$ 2,376
Due to Other Funds	-	198	198	-
Accounts Payable	-	693,052	693,052	-
Securities Lending Obligation	15	39	15	39
Amounts Held Pending Distribution	-	633,853	633,853	-
Amounts Held in Custody for Others	628	516,920	516,962	586
TOTAL LIABILITIES	\$ 2,436	\$ 3,580,120	\$ 3,579,555	\$ 3,001

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013
OTHER AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 20,099	\$ 787,415	\$ 786,374	\$ 21,140
Investments	53,374	4,634	3,223	54,785
Due from Other Funds	122	75	149	48
Accounts Receivable	14	202	189	27
Due from Other Governments	-	3,206	-	3,206
Securities Lending Collateral	83	134	83	134
TOTAL ASSETS	\$ 73,692	\$ 795,666	\$ 790,018	\$ 79,340
LIABILITIES				
Warrants Payable	\$ 1,050	\$ 358,637	\$ 358,505	\$ 1,182
Due to Other Funds	-	4	4	-
Accounts Payable	518	24,672	24,823	367
Due to Other Governments	298	725	864	159
Securities Lending Obligation	83	134	83	134
Amounts Held Pending Distribution	-	4,360	4,360	-
Amounts Held in Custody for Others	71,743	789,445	783,690	77,498
TOTAL LIABILITIES	\$ 73,692	\$ 1,177,977	\$ 1,172,329	\$ 79,340
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 182,663	\$ 22,492,987	\$ 22,483,067	\$ 192,583
Investments	53,374	4,634	3,223	54,785
Due from Other Funds	122	4,742	4,815	49
Accounts Receivable	18	1,273	1,262	29
Taxes Receivable	-	432,213	432,213	-
Due from Other Governments	-	3,206	-	3,206
Securities Lending Collateral	294	649	294	649
TOTAL ASSETS	\$ 236,471	\$ 22,939,704	\$ 22,924,874	\$ 251,301
LIABILITIES				
Warrants Payable	\$ 21,572	\$ 3,103,021	\$ 3,107,015	\$ 17,578
Due to Other Funds	-	898,024	898,024	-
Accounts Payable	519	761,662	761,796	385
Tax Refunds Payable	-	258,400	258,400	-
Due to Other Governments	4,582	372,360	369,322	7,620
Securities Lending Obligation	294	649	294	649
Amounts Held Pending Distribution	-	39,656,295	39,656,295	-
Deferred Revenue	-	6,925	6,925	-
Amounts Held in Custody for Others	209,504	1,697,822	1,682,257	225,069
TOTAL LIABILITIES	\$ 236,471	\$ 46,755,158	\$ 46,740,328	\$ 251,301



Nonmajor Component Units

Water Pollution Control Authority

Issues revolving loan bonds and lends the proceeds to eligible municipalities at below market interest rates for the construction of wastewater treatment and collection facilities.

Drinking Water Finance Authority

Issues revolving loan bonds and lends the bond proceeds to local governments at below market rates for the construction of drinking water treatment and distribution facilities.

Troy University

Reports the operations and balances of the University.

Alabama State University

Reports the operations and balances of the University.

Alabama Agricultural and Mechanical University

Reports the operations and balances of the University.

Jacksonville State University

Reports the operations and balances of the University.

University of North Alabama

Reports the operations and balances of the University.

University of Montevallo

Reports the operations and balances of the University.

University of West Alabama

Reports the operations and balances of the University.

Historical Commission

Preserves and maintains buildings, objects, and sites of historical significance.

Space Science Exhibit Commission

Operates the U.S. Space and Rocket Center and the U.S. Space Camp.

Other Nonmajor Component Units

Combined totals of other nonmajor component units, which are reported in more detail later in this report.

STATE OF ALABAMA

COMBINING STATEMENT OF NET POSITION Nonmajor Component Units

September 30, 2013

(Amounts in Thousands)

	Water Pollution Control Authority	Drinking Water Finance Authority	Troy University	Alabama State University	Alabama Agricultural and Mechanical University
ASSETS					
Cash and Cash Equivalents	\$ 1,146	\$ 907	\$ 188,835	\$ 30,408	\$ 6,975
Investments	195,539	106,703	52,555	81,678	8,742
Due from Primary Government	5,533	-	-	-	-
Accounts Receivable	2,027	1,089	38,514	17,285	33,148
Due from Other Governments	376,415	243,753	-	4,840	-
Mortgages, Notes, and Loans Receivable	-	-	2,220	8	18,534
Securities Lending Collateral	15	12	-	-	-
Inventory	-	-	101	9	-
Restricted Assets	-	-	-	-	-
Other Assets	2,266	4,574	2,551	6,693	7,037
Capital Assets, Net of Accumulated Depreciation	44	-	235,903	292,589	105,013
Capital Assets Not Depreciated	-	-	38,245	24,667	8,727
TOTAL ASSETS	582,985	357,038	558,924	458,177	188,176
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows	2,760	1,779	-	5,365	-
LIABILITIES					
Warrants Payable	-	-	-	-	-
Due to Primary Government	3,550	1,119	-	-	-
Due to Component Units	-	-	-	-	-
Accounts Payable	152	88	11,681	11,112	14,363
Interest Payable	641	645	-	-	1,241
Due to Other Governments	34,915	33,198	-	-	-
Securities Lending Obligation	15	12	-	-	-
Unearned Revenue	-	-	40,404	20,020	31,395
Amounts Held in Custody for Others	95	-	5,963	-	3,125
Noncurrent Liabilities:					
Due Within One Year	21,895	6,840	5,429	6,958	6,511
Due In More Than One Year	135,010	125,668	138,637	231,541	47,581
TOTAL LIABILITIES	196,273	167,570	202,114	269,631	104,216
NET POSITION					
Invested in Capital Assets, Net of Related Debt	44	-	132,396	100,629	59,812
Restricted for:					
Permanent - Expendable	-	-	27,053	607	-
Permanent - Non-expendable	-	-	22,028	50,791	-
Education	-	-	-	-	-
Debt Service	390,206	191,503	-	-	-
Capital Projects	-	-	-	-	-
Other Purposes	-	-	481	26,998	19,489
Unrestricted	(778)	(256)	174,852	14,886	4,659
TOTAL NET POSITION	\$ 389,472	\$ 191,247	\$ 356,810	\$ 193,911	\$ 83,960

Jacksonville State University	University of North Alabama	University of Montevallo	University of West Alabama	Historical Commission	Space Science Exhibit Commission	Other Nonmajor Component Units	Totals
\$ 70,097	\$ 54,926	\$ 31,390	\$ 25,186	\$ 5,345	\$ 181	\$ 44,167	\$ 459,563
39,570	46,566	45,535	22,284	11,100	105	28,259	638,636
-	-	-	-	13	-	463	6,009
7,969	7,011	3,577	8,022	68	271	10,862	129,843
-	-	-	-	-	-	5,839	630,847
676	4,015	388	196	-	-	24	26,061
-	-	-	-	1,704	-	93	1,824
-	34	-	1,286	234	545	7,316	9,525
-	-	1,894	-	-	3,192	-	5,086
2,310	1,688	4,729	4,616	-	730	335	37,529
103,479	58,084	48,107	39,967	335	43,553	84,110	1,011,184
5,682	23,086	1,663	6,969	79,623	6,388	20,066	215,116
229,783	195,410	137,283	108,526	98,422	54,965	201,534	3,171,223
-	-	-	-	-	-	-	9,904
-	-	-	-	186	-	-	186
-	-	-	-	30	-	736	5,435
-	-	-	-	-	-	2	2
7,996	6,524	4,958	3,060	611	2,352	6,730	69,627
-	971	-	631	-	284	-	4,413
-	-	496	-	28	-	23	68,660
-	-	-	-	1,704	-	93	1,824
21,699	14,911	12,507	8,543	-	1,457	6,572	157,508
3,360	533	633	207	-	-	356	14,272
3,784	1,030	1,980	610	2	3,903	3,470	62,412
74,325	45,375	28,737	54,971	2,070	14,373	19,095	917,383
111,164	69,344	49,311	68,022	4,631	22,369	37,077	1,301,722
34,411	63,282	26,417	15,252	79,957	37,046	87,586	636,832
23,990	12,786	14,177	-	-	-	3,160	81,773
11,318	20,454	16,581	423	10,429	-	4,230	136,254
-	-	-	-	-	-	3,303	3,303
6,144	-	-	-	-	-	-	587,853
-	-	-	-	-	-	28	28
2,678	1,428	-	-	-	3,197	1,033	55,304
40,078	28,116	30,797	24,829	3,405	(7,647)	65,117	378,058
\$ 118,619	\$ 126,066	\$ 87,972	\$ 40,504	\$ 93,791	\$ 32,596	\$ 164,457	\$ 1,879,405

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Nonmajor Component Units

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Water Pollution Control Authority	Drinking Water Finance Authority	Troy University	Alabama State University	Alabama Agricultural and Mechanical University
Expenses	\$ 16,433	\$ 11,026	\$ 252,472	\$ 155,967	\$ 136,164
Program Revenues					
Charges for Services	2,902	3,076	154,620	60,993	55,863
Operating Grants and Contributions	19,880	14,771	55,628	41,614	43,339
Capital Grants and Contributions	-	-	644	2,471	-
Total Program Revenues	22,782	17,847	210,892	105,078	99,202
Net (Expense) Revenue	6,349	6,821	(41,580)	(50,889)	(36,962)
General Revenues:					
Payments from State of Alabama	3,449	630	44,923	40,907	37,047
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Unrestricted Investment Earnings	15,303	9,090	6,496	10,178	6
Miscellaneous	-	-	2,610	-	-
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Total General Revenues, Contributions, Special Items	18,752	9,720	54,029	51,085	37,053
Change in Net Position	25,101	16,541	12,449	196	91
Net Position, October 1, 2012, as Restated	364,371	174,706	344,361	193,715	83,869
Net Position, September 30, 2013	\$ 389,472	\$ 191,247	\$ 356,810	\$ 193,911	\$ 83,960

Jacksonville State University	University of North Alabama	University of Montevallo	University of West Alabama	Historical Commission	Space Science Exhibit Commission	Other Nonmajor Component Units	Totals
\$ 125,038	\$ 92,645	\$ 58,566	\$ 68,641	\$ 6,801	\$ 25,026	\$ 158,157	\$ 1,106,936
64,128	50,259	31,186	39,569	2,244	22,818	62,291	549,949
22,801	18,905	10,731	9,404	1,009	25	30,833	268,940
-	1,312	780	-	324	797	216	6,544
86,929	70,476	42,697	48,973	3,577	23,640	93,340	825,433
(38,109)	(22,169)	(15,869)	(19,668)	(3,224)	(1,386)	(64,817)	(281,503)
35,316	24,764	17,551	13,104	3,694	1,441	70,543	293,369
-	-	-	-	-	-	118	118
3,417	2,118	3,197	57	-	6	1,538	51,406
6	269	-	103	2	-	1,251	4,241
-	400	-	-	-	-	-	400
38,739	27,551	20,748	13,264	3,696	1,447	73,450	349,534
630	5,382	4,879	(6,404)	472	61	8,633	68,031
117,989	120,684	83,093	46,908	93,319	32,535	155,824	1,811,374
\$ 118,619	\$ 126,066	\$ 87,972	\$ 40,504	\$ 93,791	\$ 32,596	\$ 164,457	\$ 1,879,405

STATE OF ALABAMA

COMBINING STATEMENT OF NET POSITION
Other Nonmajor Component Units

September 30, 2013

(Amounts in Thousands)

	Alabama Institute for the Deaf and Blind	Athens State University	Marine Environmental Sciences Consortium	Crime Victims Compensation Commission	Supercomputer Authority
ASSETS					
Cash and Cash Equivalents	\$ 19,146	\$ 4,770	\$ 2,830	\$ 6,536	\$ 6,592
Investments	13,691	8,076	-	4,352	-
Due from Primary Government	-	-	-	-	212
Accounts Receivable	5,858	1,455	1,904	-	-
Due from Other Governments	-	4,968	-	-	-
Mortgages, Notes, and Loans Receivable	24	-	-	-	-
Securities Lending Collateral	-	-	-	2	87
Inventory	6,913	31	119	-	-
Other Assets	43	151	-	-	36
Capital Assets, Net of Accumulated Depreciation	26,995	30,205	11,322	1,189	2,644
Capital Assets Not Depreciated	3,042	7,231	703	-	174
TOTAL ASSETS	75,712	56,887	16,878	12,079	9,745
LIABILITIES					
Due to Primary Government	-	-	-	475	5
Due to Component Units	-	-	-	2	-
Accounts Payable	3,766	1,046	34	168	1,333
Due to Other Governments	-	-	-	1	19
Securities Lending Obligation	-	-	-	2	87
Unearned Revenue	821	4,117	1,634	-	-
Amounts Held in Custody for Others	200	-	152	-	-
Noncurrent Liabilities:					
Due Within One Year	1,118	577	44	1,667	-
Due In More Than One Year	1,413	13,896	429	803	363
TOTAL LIABILITIES	7,318	19,636	2,293	3,118	1,807
NET POSITION					
Invested in Capital Assets, Net of Related Debt	27,749	23,982	11,996	1,189	2,818
Restricted for:					
Permanent - Expendable	3,160	-	-	-	-
Permanent - Non-expendable	4,230	-	-	-	-
Education	-	3,303	-	-	-
Capital Projects	-	-	28	-	-
Other Purposes	-	244	789	-	-
Unrestricted	33,255	9,722	1,772	7,772	5,120
TOTAL NET POSITION	\$ 68,394	\$ 37,251	\$ 14,585	\$ 8,961	\$ 7,938

U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	Red Mountain Recreation Commission	Miscellaneous Component Units	Totals
\$ 3,276	\$ 371	\$ 295	\$ 351	\$ 44,167
1,305	-	-	835	28,259
-	-	-	251	463
9	-	1,636	-	10,862
-	-	-	871	5,839
-	-	-	-	24
-	-	-	4	93
207	20	-	26	7,316
105	-	-	-	335
8,655	2,229	692	179	84,110
255	1,035	7,465	161	20,066
13,812	3,655	10,088	2,678	201,534
-	-	-	256	736
-	-	-	-	2
239	66	60	18	6,730
-	-	-	3	23
-	-	-	4	93
-	-	-	-	6,572
-	-	-	4	356
-	22	42	-	3,470
821	710	488	172	19,095
1,060	798	590	457	37,077
8,910	2,893	7,709	340	87,586
-	-	-	-	3,160
-	-	-	-	4,230
-	-	-	-	3,303
-	-	-	-	28
-	-	-	-	1,033
3,842	(36)	1,789	1,881	65,117
\$ 12,752	\$ 2,857	\$ 9,498	\$ 2,221	\$ 164,457

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Alabama Institute for the Deaf and Blind	Athens State University	Marine Environmental Sciences Consortium	Crime Victims Compensation Commission	Supercomputer Authority
Expenses	\$ 84,911	\$ 34,279	\$ 11,769	\$ 5,099	\$ 14,169
Program Revenues					
Charges for Services	29,118	14,595	2,835	3,697	5,011
Operating Grants and Contributions	11,705	9,932	5,426	1,129	262
Capital Grants and Contributions	39	-	-	-	-
Total Program Revenues	40,862	24,527	8,261	4,826	5,273
Net (Expense) Revenue	(44,049)	(9,752)	(3,508)	(273)	(8,896)
General Revenues:					
Payments from State of Alabama	47,569	11,178	3,525	59	8,062
Grants and Contributions Not Restricted to Specific Programs	-	-	-	2	-
Unrestricted Investment Earnings	736	396	2	392	-
Miscellaneous	1,052	-	-	15	-
Total General Revenues	49,357	11,574	3,527	468	8,062
Change in Net Position	5,308	1,822	19	195	(834)
Net Position, October 1, 2012, as Restated	63,086	35,429	14,566	8,766	8,772
Net Position, September 30, 2013	\$ 68,394	\$ 37,251	\$ 14,585	\$ 8,961	\$ 7,938

U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	Red Mountain Recreation Commission	Miscellaneous Component Units	Totals
<u>\$ 4,338</u>	<u>\$ 1,979</u>	<u>\$ 1,145</u>	<u>\$ 468</u>	<u>\$ 158,157</u>
4,841	1,630	340	224	62,291
8	295	2,075	1	30,833
-	-	-	177	216
<u>4,849</u>	<u>1,925</u>	<u>2,415</u>	<u>402</u>	<u>93,340</u>
511	(54)	1,270	(66)	(64,817)
-	-	-	150	70,543
-	-	116	-	118
10	-	2	-	1,538
-	-	-	184	1,251
<u>10</u>	<u>0</u>	<u>118</u>	<u>334</u>	<u>73,450</u>
521	(54)	1,388	268	8,633
12,231	2,911	8,110	1,953	155,824
<u>\$ 12,752</u>	<u>\$ 2,857</u>	<u>\$ 9,498</u>	<u>\$ 2,221</u>	<u>\$ 164,457</u>



Supplemental Statements and Schedules

Supplemental Statements and Schedules presents schedules and statements which bring together information spread throughout the statements, presents information in greater detail, or presents information that demonstrates legal compliance.

STATE OF ALABAMA

SCHEDULE OF FEDERAL REVENUES BY AGENCY

All Funds and Component Units, Excluding Amounts Received Directly by Higher Education

For the Fiscal Year Ended September 30, 2013

(Amounts in Thousands)

	Amount
Administrative Office of Courts	\$ 848
Agriculture and Industries	4,170
Archives and History	11
Attorney General	1,059
Child Abuse and Neglect Prevention Board	2,694
Children's Affairs	6,551
Commission On Higher Education	1,028
Conservation and Natural Resources	31,553
Corrections	262
Council on the Arts	767
Crime Victims Compensation Commission	1,122
Criminal Justice Information Center	3,266
Drinking Water Finance Authority	14,767
Economic and Community Affairs	191,593
Education	955,988
Emergency Management	79,722
Environmental Management	15,109
Farmers' Market Authority	1,298
Finance Special Funds	1,947
Forensic Sciences	1,989
Forestry Commission	7,792
Geological Survey	756
High School of Math and Science	147
Historical Commission	791
Housing Finance Authority	24,850
Human Resources	1,713,778
Insurance	1,169
Labor Department	222,681
Manufactured Housing Commission	264
Medicaid	3,787,593
Mental Health	30,352
Military	40,825
Office of Homeland Security	8,654
Office of Prosecution Services	239
Pardons and Paroles	88
Postsecondary Education	14,355
Public Health	447,422
Public Library Service	2,501
Public Safety	9,576
Public School and College Authority	9,241
Public Service Commission	677
Rehabilitation Services	70,415
Retired State Employees Health Care Trust	8,795
School of Fine Arts	68
Senior Services	24,721
Serve Alabama	6,097
Soil and Water Conservation Commission	462
State Law Enforcement	1,655
State Port Authority	1,644
Supercomputer Authority	259
Surface Mining Commission	1,255
Transportation	944,524
Veterans Affairs	30,471
Water Pollution Control Authority	19,871
Total Federal Revenues	\$ 8,749,732

This part of the State of Alabama's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends

Page 272

These schedules contain trend information to help the reader understand how the State's financial performance has changed over time.

- ◆ Net Position by Component
- ◆ Changes in Net Position
- ◆ Fund Balances of Governmental Funds
- ◆ Changes in Fund Balances of Governmental Funds

Revenue Capacity

Page 282

These schedules contain information to help the reader assess the factors affecting the State's ability to generate its individual income tax and corporate income tax.

- ◆ Major Revenue Base
- ◆ Revenue Rates
- ◆ Principal Revenue Payers

Debt Capacity

Page 290

These schedules present information that helps the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

- ◆ Ratios of Outstanding Debt
- ◆ Ratios of General Bonded Debt Outstanding
- ◆ Debt Limitations
- ◆ Pledged Revenue Coverage

Demographic and Economic Information

Page 298

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

- ◆ Labor Force Statistics
- ◆ Population/Per Capita Personal Income Statistics
- ◆ Top Ten Employers in Alabama

Operating Information

Page 302

These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

STATE OF ALABAMA

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Amounts in Thousands)

	2013	2012	2011	2010	2009
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 20,030,459	\$ 19,639,559	\$ 19,099,058	\$ 18,563,915	\$ 18,184,809
Restricted	6,837,835	6,034,129	5,380,091	4,795,170	4,448,305
Unrestricted	(4,900,212)	(3,976,440)	(1,511,819)	(729,037)	(555,506)
Total Governmental Activities Net Position	<u>21,968,082</u>	<u>21,697,248</u>	<u>22,967,330</u>	<u>22,630,048</u>	<u>22,077,608</u>
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	861,684	879,370	818,852	849,372	844,411
Restricted	708,617	542,740	465,495	102,653	92,353
Unrestricted	(5,222)	(20,284)	(67,751)	143,676	240,059
Total Business-type Activities Net Position	<u>1,565,079</u>	<u>1,401,826</u>	<u>1,216,596</u>	<u>1,095,701</u>	<u>1,176,823</u>
Primary government					
Invested in Capital Assets, Net of Related Debt	20,892,143	20,518,929	19,917,910	19,413,287	19,029,220
Restricted	7,546,452	6,576,869	5,845,586	4,897,823	4,540,658
Unrestricted	(4,905,434)	(3,996,724)	(1,579,570)	(585,361)	(315,447)
Total Primary Government Net Position	<u>\$ 23,533,161</u>	<u>\$ 23,099,074</u>	<u>\$ 24,183,926</u>	<u>\$ 23,725,749</u>	<u>\$ 23,254,431</u>

GASB Statement 61 redefined the reporting entity in 2013. 2012 was restated but it was not practical to restate years prior to 2012.

2008	2007	2006	2005	2004
\$ 17,609,211	\$ 16,973,157	\$ 16,360,753	\$ 15,717,808	\$ 15,192,120
4,624,715	6,020,208	5,853,605	5,004,105	4,245,991
(223,495)	(112,874)	204,854	379,481	348,930
<u>22,010,431</u>	<u>22,880,491</u>	<u>22,419,212</u>	<u>21,101,394</u>	<u>19,787,041</u>
754,001	709,460	643,742	508,280	459,250
479,549	513,546	503,024	352,524	351,847
333,954	284,537	244,630	330,692	215,956
<u>1,567,504</u>	<u>1,507,543</u>	<u>1,391,396</u>	<u>1,191,496</u>	<u>1,027,053</u>
18,363,212	17,682,617	17,004,495	16,226,088	15,651,370
5,104,264	6,533,754	6,356,629	5,356,629	4,597,838
110,459	171,663	449,484	710,173	564,886
<u>\$ 23,577,935</u>	<u>\$ 24,388,034</u>	<u>\$ 23,810,608</u>	<u>\$ 22,292,890</u>	<u>\$ 20,814,094</u>

STATE OF ALABAMA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Amounts in Thousands)

	2013	2012	2011	2010	2009
Expenses					
Governmental Activities					
Economic Development and Regulation	\$ 121,943	\$ 99,743	\$ 193,900	\$ 228,957	\$ 306,533
Education and Cultural Resources	6,336,474	6,194,484	6,735,109	6,434,122	6,393,573
Natural Resources and Recreation	124,496	143,111	134,591	148,043	113,621
Health	6,423,848	6,407,799	6,085,907	6,143,061	5,555,138
Social Services	2,448,767	2,441,385	2,580,186	2,369,709	1,977,390
Protection of Persons and Property	1,081,878	1,146,584	1,075,191	1,146,961	1,112,213
Transportation	1,322,599	1,197,030	1,186,100	1,248,882	1,120,902
General Government	1,041,662	945,638	1,046,923	1,065,323	983,451
Debt Service - Interest and Other Charges	179,069	154,425	48,631	47,829	51,184
Total Governmental Activities Expenses	19,080,736	18,730,199	19,086,538	18,832,887	17,614,005
Business-type Activities					
Unemployment Compensation	458,063	701,971	1,007,325	1,323,058	1,005,780
State Port Authority	137,109	133,570	128,100	133,534	150,073
Alabama Community College System	772,002	773,666	859,258	897,134	829,039
Alcoholic Beverage Control Board	282,840	274,718	266,472	254,001	253,312
Nonmajor Proprietary Funds	60,429	61,296	55,431	45,639	45,339
Total Business-type Activities Expenses	1,710,443	1,945,221	2,316,586	2,653,366	2,283,543
Total Primary Government Expenses	20,791,179	20,675,420	21,403,124	21,486,253	19,897,548
Program Revenues					
Governmental Activities					
Charges for Services:					
Economic Development and Regulation	174,341	181,360	35,782	44,888	50,219
Education and Cultural Resources	60,134	36,264	43,110	42,653	46,835
Natural Resources and Recreation	74,903	74,790	86,968	80,956	86,470
Health	313,897	388,944	349,863	305,624	353,893
Social Services	49,591	51,379	48,210	47,401	46,275
Protection of Persons and Property	225,468	233,979	232,056	229,268	256,596
Transportation	172,753	180,278	174,375	196,398	196,137
General Government	216,921	245,319	248,440	253,370	306,047
Operating Grants and Contributions	8,097,400	8,212,505	8,985,884	9,148,048	7,609,718
Capital Grants and Contributions	976,217	864,113	936,928	927,443	812,481
Total Governmental Activities Program Revenues	10,361,625	10,468,931	11,141,616	11,276,049	9,764,671
Business-type Activities					
Charges for Services:					
Unemployment Compensation	434,928	474,633	546,618	411,147	230,729
State Port Authority	149,275	143,644	120,248	119,414	105,174
Alabama Community College System	179,886	163,235	188,877	183,247	162,567
Alcoholic Beverage Control Board	280,295	276,879	265,184	252,647	251,199
Nonmajor Proprietary Funds	61,038	61,548	54,178	48,551	48,061
Operating Grants and Contributions	473,220	713,385	985,767	1,176,837	666,931
Capital Grants and Contributions	6,398	6,469	12,354	31,809	49,654
Total Business-type Activities Program Revenues	1,585,040	1,839,793	2,173,226	2,223,652	1,514,315
Total Primary Government Program Revenues	\$ 11,946,665	\$ 12,308,724	\$ 13,314,842	\$ 13,499,701	\$ 11,278,986

GASB Statement 61 redefined the reporting entity in 2013. 2012 was restated but it was not practical to restate years prior to 2012.

2008	2007	2006	2005	2004
\$ 410,911	\$ 335,373	\$ 215,950	\$ 185,680	\$ 185,115
7,197,095	6,680,377	5,764,988	5,203,315	4,833,259
131,327	131,688	145,414	82,841	95,032
5,316,763	5,361,666	4,823,686	4,641,315	4,529,302
1,753,526	1,678,091	1,627,951	1,606,588	1,496,160
1,095,652	1,014,248	1,032,088	1,031,731	746,763
1,067,671	997,376	1,025,928	882,823	856,603
1,020,453	925,736	819,624	777,291	726,150
57,253	43,508	42,672	43,052	42,083
18,050,651	17,168,063	15,498,301	14,454,636	13,510,467
330,068	248,448	232,447	251,137	308,281
127,200	115,714	89,939	85,984	74,679
812,195	745,122	683,618	646,868	627,846
249,389	230,370	215,832	192,278	184,391
47,168	45,955	48,972	47,838	47,353
1,566,020	1,385,609	1,270,808	1,224,105	1,242,550
19,616,671	18,553,672	16,769,109	15,678,741	14,753,017
139,257	129,173	120,178	128,684	129,704
43,018	36,739	13,881	17,430	17,278
90,851	68,641	67,126	70,258	76,139
329,533	333,592	270,428	230,063	201,155
27,163	26,309	24,038	23,604	136,176
257,968	219,999	203,535	201,763	179,469
184,262	196,902	191,625	172,771	181,996
482,214	381,805	490,915	362,860	305,867
6,670,099	6,617,849	6,612,934	6,311,129	5,573,884
874,111	719,041	801,902	651,709	565,871
9,098,476	8,730,050	8,796,562	8,170,271	7,367,539
247,862	248,987	283,774	323,849	278,814
136,835	113,233	93,200	88,938	79,396
154,798	166,961	158,348	146,819	145,930
252,265	239,852	219,433	202,959	198,482
47,259	49,938	52,720	52,951	52,944
305,339	270,897	277,667	269,667	297,858
13,717	19,413	45,053	22,776	6,479
1,158,075	1,109,281	1,130,195	1,107,959	1,059,903
\$ 10,256,551	\$ 9,839,331	\$ 9,926,757	\$ 9,278,230	\$ 8,427,442

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STATE OF ALABAMA

CHANGES IN NET POSITION (Continued from previous page)

Last Ten Fiscal Years

(Amounts in Thousands)

	2013	2012	2011	2010	2009
Net (Expense)/Revenue					
Governmental Activities	\$ (8,719,111)	\$ (8,261,268)	\$ (7,944,922)	\$ (7,556,838)	\$ (7,849,334)
Business Activities	(125,403)	(105,428)	(143,360)	(429,714)	(769,228)
Total Primary Government					
Net (Expense) Revenue	(8,844,514)	(8,366,696)	(8,088,282)	(7,986,552)	(8,618,562)
General Revenues and Other Changes in Net Position					
Governmental Activities					
Sales and Use Taxes	2,343,322	2,280,723	2,187,852	2,108,834	2,079,718
Income Taxes	3,505,081	3,291,987	3,098,756	2,973,246	3,108,459
Motor Fuels Taxes	541,603	540,666	547,720	551,210	542,887
Utility Taxes	621,684	598,533	671,347	684,437	697,141
Insurance Premium Tax	297,072	278,196	263,428	263,243	267,726
Property Tax	326,255	324,751	315,389	315,321	320,603
Liquor Taxes	163,026	161,447	156,689	156,098	155,592
Tobacco and Cigarette Taxes	128,714	132,567	136,702	136,311	140,016
Grants and Contributions Not Restricted to Specific Programs	10,421	9,140	9,093	40,323	785
Unrestricted Investment Earnings	213,955	292,612	114,227	283,425	205,111
Miscellaneous	1,097,897	1,105,929	1,021,019	932,348	754,745
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Transfers	(259,085)	(276,228)	(300,368)	(274,800)	(357,623)
Total Governmental Activities	8,989,945	8,740,323	8,221,854	8,169,996	7,915,160
Business-type Activities					
Liquor Taxes	11,864	11,832	11,065	10,558	9,930
Miscellaneous	17,625	14,560	12,711	11,561	12,274
Contributions to Permanent Funds and Endowments	82	40	462	102	71
Special Items	-	-	-	(9,147)	-
Transfers	259,085	276,228	300,368	274,800	357,623
Total Business-type Activities	288,656	302,660	324,606	287,874	379,898
Total Primary Government					
General Revenues and Other Charges	9,278,601	9,042,983	8,546,460	8,457,870	8,295,058
Change in Net Position					
Governmental Activities	270,834	479,055	276,932	613,158	65,826
Business-type Activities	163,253	197,232	181,246	(141,840)	(389,330)
Total Primary Government Change in Net Position	\$ 434,087	\$ 676,287	\$ 458,178	\$ 471,318	\$ (323,504)

GASB Statement 61 redefined the reporting entity in 2013. 2012 was restated but it was not practical to restate years prior to 2012.

2008	2007	2006	2005	2004
\$ (8,952,175)	\$ (8,438,013)	\$ (6,701,739)	\$ (6,284,365)	\$ (6,142,928)
(407,945)	(276,328)	(140,613)	(116,146)	(182,647)
(9,360,120)	(8,714,341)	(6,842,352)	(6,400,511)	(6,325,575)
2,261,452	2,432,286	2,110,577	2,086,070	1,873,359
3,512,255	3,446,018	3,172,117	2,938,046	2,494,384
550,811	569,369	568,880	533,696	564,031
667,573	656,027	601,473	556,211	598,245
292,866	278,139	275,230	274,698	243,761
314,379	301,158	267,062	252,142	232,275
136,125	163,161	147,651	137,244	129,651
143,836	156,700	152,751	157,715	93,093
-	-	-	6,159	75,741
(181,318)	443,575	222,779	202,601	174,183
828,785	831,951	822,058	721,594	850,103
-	-	-	2	-
(444,314)	(379,209)	(321,020)	(261,067)	(229,116)
8,082,450	8,899,175	8,019,558	7,605,111	7,099,710
9,912	9,831	9,314	8,598	8,492
13,257	3,421	10,056	4,330	2,765
88	131	122	201	6
-	-	-	-	-
444,314	379,209	321,020	261,067	229,116
467,571	392,592	340,512	274,196	240,379
8,550,021	9,291,767	8,360,070	7,879,307	7,340,089
(869,725)	461,162	1,317,819	1,320,746	956,782
59,626	116,264	199,899	158,050	57,732
\$ (810,099)	\$ 577,426	\$ 1,517,718	\$ 1,478,796	\$ 1,014,514

STATE OF ALABAMA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Amounts in Thousands)

	2013	2012	2011	2010	2009
General Fund					
Nonspendable	\$ 2,971	\$ 4,003	\$ 3,269	\$ 0	\$ 0
Assigned	3,641	1,885	1,377	-	-
Unassigned	87,922	7,403	(24,796)	-	-
Reserved	-	-	-	5,474	5,519
Unreserved	-	-	-	79,184	216,623
Total General Fund	94,534	13,291	(20,150)	84,658	222,142
All Other Governmental Funds					
Nonspendable	102,851	100,216	74,617	-	-
Restricted	5,911,272	5,718,220	5,182,487	-	-
Assigned	47,801	86,576	36,953	-	-
Unassigned	(207,356)	(455,521)	(326,458)	-	-
Reserved	-	-	-	3,450,427	3,163,363
Unreserved, Designated for Capital Projects	-	-	-	153,318	83,481
Unreserved, Designated for Debt Service	-	-	-	689	968
Unreserved, Undesignated, Reported In:					
Special Revenue Funds	-	-	-	1,368,248	1,192,314
Permanent Funds	-	-	-	24,374	30,201
Total All Other Governmental Funds	\$ 5,854,568	\$ 5,449,491	\$ 4,967,599	\$ 4,997,056	\$ 4,470,327

Accounting principles for reporting fund balances changed in 2011 with the implementation of GASB Statement 54. Prior years are not required to be reclassified. GASB Statement 61 redefined the reporting entity in 2013. 2012 was restated but it was not practical to restate years prior to 2012

2008	2007	2006	2005	2004
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
-	-	-	-	-
-	-	-	-	-
5,303	5,772	3,314	6,003	4,228
376,391	399,009	403,022	317,879	249,668
381,694	404,781	406,336	323,882	253,896
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,191,402	3,498,507	3,165,956	2,888,340	2,667,067
185,790	440,559	275,528	292,934	381,579
4,513	5,332	4,866	4,606	8,208
1,351,620	2,133,319	2,513,422	2,081,782	1,483,001
24,938	20,659	16,173	12,147	4,538
\$ 4,758,263	\$ 6,098,376	\$ 5,975,945	\$ 5,279,809	\$ 4,544,393

STATE OF ALABAMA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Amounts in Thousands)

	2013	2012	2011	2010	2009
Revenues					
Taxes	\$ 8,933,677	\$ 8,621,089	\$ 8,293,168	\$ 8,072,384	\$ 8,008,871
Licenses, Permits, and Fees	684,533	679,897	664,064	667,087	659,189
Fines, Forfeits, and Court Settlements	202,986	255,370	162,358	150,366	254,739
Investment Income	237,924	327,136	132,776	313,159	243,477
Federal Grants and Reimbursements	8,518,658	8,443,239	9,292,000	9,306,121	7,606,333
Other Revenues	1,064,083	1,149,236	1,116,093	1,198,260	1,244,254
Total Revenues	19,641,861	19,475,967	19,660,459	19,707,377	18,016,863
Expenditures					
Economic Development and Regulation	116,286	82,604	186,281	204,464	226,554
Education and Cultural Resources	6,366,268	6,369,327	6,710,719	6,427,782	6,388,357
Natural Resources and Recreation	153,860	151,359	149,952	183,387	164,682
Health	6,351,112	6,372,507	6,077,718	6,129,642	5,535,484
Social Services	2,423,399	2,459,795	2,578,242	2,350,328	1,969,621
Protection of Persons and Property	1,027,538	1,104,876	1,158,878	1,114,794	1,085,493
Transportation	1,685,764	1,557,750	1,501,744	1,560,242	1,577,388
General Government	982,379	930,737	1,033,994	1,054,077	959,411
Capital Outlay	55,876	80,479	52,646	42,525	92,995
Debt Service - Principal Retirement	244,736	357,677	54,892	50,493	56,388
Debt Service - Interest and Other Charges	189,960	187,763	51,874	52,672	47,655
Debt Service - Current Refunding to Bondholders	82,802	-	-	52,610	-
Total Expenditures	19,679,980	19,654,874	19,556,940	19,223,016	18,104,028
Other Financing Sources (Uses)					
Transfers In	2,733,138	2,869,361	1,409,958	1,247,478	1,391,457
Bonds Issued	690,870	15,700	-	110,000	-
Refunding Bonds Issued	131,160	257,585	91,195	112,030	-
Other Debt Refunding Proceeds	-	-	-	-	-
Capital Leases	538	45,551	5,989	2,322	9,504
Other Debt Issued	-	-	24,262	62,136	-
Debt Issuance Premiums	115,957	40,085	8,491	20,746	-
Debt Issuance Discounts	-	-	-	-	-
Insurance Recovery Proceeds	9,834	5,368	5,059	3,465	2,395
Transfers Out	(3,004,228)	(3,157,233)	(1,686,355)	(1,592,790)	(1,757,948)
Payments to Refunded Bond Escrow Agent	(66,681)	(102,030)	(96,755)	(74,415)	-
Other Debt Refunding Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	610,588	(25,613)	(238,156)	(109,028)	(354,592)
Net Increase (Decrease) for the Year	572,469	(204,520)	(134,637)	375,333	(441,757)
Debt Service as a Percentage of Noncapital Expenditures	2.73%	2.8%	0.56%	0.55%	0.6%

GASB Statement 61 redefined the reporting entity in 2013. 2012 was restated but it was not practical to restate years prior to 2012.

2008	2007	2006	2005	2004
\$ 8,446,889	\$ 8,252,828	\$ 7,758,564	\$ 7,269,833	\$ 6,448,698
649,742	652,895	611,044	564,523	533,120
148,030	44,180	42,347	47,168	40,221
(142,347)	519,855	300,993	227,980	182,309
6,697,069	6,379,007	6,643,162	6,194,503	5,675,945
1,523,910	1,550,167	1,379,486	1,309,343	1,351,088
17,323,293	17,398,932	16,735,596	15,613,350	14,231,381
84,627	79,409	70,554	62,894	59,263
7,166,373	6,423,025	5,643,964	5,087,885	4,710,537
194,725	133,234	171,848	120,188	120,095
5,125,487	5,165,879	4,650,515	4,477,717	4,295,347
1,717,523	1,693,797	1,625,180	1,610,677	1,496,323
1,025,662	982,932	1,011,272	1,005,967	730,780
1,556,330	1,522,329	1,512,116	1,399,903	1,354,816
987,302	933,855	840,293	726,704	618,502
272,032	168,402	56,835	66,823	55,833
71,213	68,616	81,727	78,195	73,650
61,514	48,453	40,319	37,201	38,282
23,625	-	-	-	-
18,286,413	17,219,931	15,704,623	14,674,154	13,553,428
1,841,818	1,520,089	1,460,110	1,254,049	993,669
10,000	305,000	61,150	103,920	-
22,660	-	-	57,975	-
-	-	-	-	600
171	11,738	1,989	659	1,152
-	-	-	-	-
1,210	9,333	1,085	5,242	-
-	-	-	(580)	-
4,579	3,024	7,725	-	-
(2,289,913)	(1,907,908)	(1,791,969)	(1,527,416)	(1,239,110)
-	-	-	(27,949)	-
-	-	-	-	(600)
(409,475)	(58,724)	(259,910)	(134,100)	(244,289)
(1,372,595)	120,277	771,063	805,096	433,664
0.74%	0.69%	0.79%	0.81%	0.83%

STATE OF ALABAMA

REVENUE CAPACITY

Major Revenue Base: Personal Income by Industry

Last Ten Years

(Amounts in Thousands)

Industry	2012	2011	2010	2009	2008
Mining	\$ 894,743	\$ 861,259	\$ 750,440	\$ 677,676	\$ 789,494
Utilities	1,695,896	1,749,570	1,596,921	1,547,727	1,579,472
Construction	7,138,438	6,848,258	6,952,758	6,938,514	7,611,722
Manufacturing	15,830,447	15,198,757	14,676,074	14,509,768	16,403,486
Wholesale Trade	5,335,352	5,234,888	5,023,802	5,022,613	5,425,532
Retail Trade	7,862,539	7,778,168	7,560,841	7,450,392	7,635,387
Transportation and warehousing	3,790,770	3,677,141	3,395,077	3,253,657	3,474,543
Finance and insurance	5,730,978	5,621,609	5,171,655	5,325,655	5,388,724
Professional and technical services	9,331,164	9,135,764	8,802,269	9,025,135	9,074,372
Government and government enterprises	25,097,877	25,227,844	25,000,285	24,133,848	23,298,646
All other	90,528,026	86,453,365	83,298,171	78,792,589	78,327,884
Total Personal Income	\$ 173,236,230	\$ 167,786,623	\$ 162,228,293	\$ 156,677,574	\$ 159,009,262
State Income Taxes	\$ 3,123,983	\$ 2,854,959	\$ 2,582,590	\$ 2,726,100	\$ 3,034,890
Average Effective Rate*	1.80%	1.70%	1.59%	1.74%	1.91%

Source: Bureau of Economic Analysis, U.S. Department of Commerce

*Note: The average rate for personal income equals state income taxes divided by total personal income.

Year 2012 is the most recent year data available.

2007	2006	2005	2004	2003
\$ 705,790	\$ 769,932	\$ 703,646	\$ 594,462	\$ 564,900
1,521,603	1,452,229	1,352,709	1,395,315	1,333,419
7,956,353	7,794,611	6,984,852	6,417,390	6,012,390
16,668,613	16,559,606	15,709,076	14,975,555	14,156,733
5,280,059	5,085,814	4,787,558	4,513,623	4,176,907
7,914,518	7,770,180	7,467,778	7,086,279	6,810,016
3,511,237	3,433,578	3,220,687	3,024,570	2,820,093
5,349,783	5,300,180	4,879,219	4,495,558	4,270,174
8,122,951	7,657,298	6,970,477	6,648,858	6,278,125
22,174,435	20,823,978	20,010,657	19,047,057	18,034,334
73,898,674	69,656,561	65,865,596	62,562,836	57,656,854
\$ 153,104,016	\$ 146,303,967	\$ 137,952,255	\$ 130,761,503	\$ 122,113,945
\$ 3,010,548	\$ 2,845,204	\$ 2,557,831	\$ 2,239,973	\$ 2,077,508
1.97%	1.94%	1.85%	1.71%	1.70%

STATE OF ALABAMA

REVENUE CAPACITY

Revenue Rates: Individual and Corporate Income Tax Rates

Last Ten Calendar Years

Filing Status		2004-2006
Taxable Net Income Level		Rate
Single, Head of Family, Married Filing Separate		Gross Income of \$1,875 or more
	Not Over \$500	2%
	Over \$500 But Not Over \$3,000	4%
	Over \$3,000	5%
Married Filing Jointly		Gross Income of \$3,750 or more
	Not Over \$1,000	2%
	Over \$1,000 But Not Over \$6,000	4%
	Over \$6,000	5%
Filing Status		2007-2013
Taxable Net Income Level		Rate
Single		Gross Income of \$4,000 or more
	Not Over \$500	2%
	Over \$500 But Not Over \$3,000	4%
	Over \$3,000	5%
Head of Family		Gross Income of \$7,700 or more
	Not Over \$500	2%
	Over \$500 But Not Over \$3,000	4%
	Over \$3,000	5%
Married Filing Separate		Gross Income of \$5,250 or more
	Not Over \$500	2%
	Over \$500 But Not Over \$3,000	4%
	Over \$3,000	5%
Married Filing Jointly		Gross Income of \$10,500 or more
	Not Over \$1,000	2%
	Over \$1,000 But Not Over \$6,000	4%
	Over \$6,000	5%
Corporate Income Tax Rates		2004-2013
		6.5%

Source: Alabama Department of Revenue



STATE OF ALABAMA

REVENUE CAPACITY

Principal Revenue Payers: Individual Income Tax Filers and Liability

Last Eight Years

For Tax Year 2012

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	495,994	26%	28,657	1%
12,001- 24,000	388,751	21%	150,991	5%
24,001- 39,000	304,155	16%	282,810	10%
39,001- 60,000	253,402	13%	385,291	13%
60,001- 80,000	147,366	8%	327,971	11%
OVER 80,000	295,562	16%	1,745,714	60%
TOTAL	1,885,230	100%	2,921,434	100%

For Tax Year 2011

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	508,015	27%	25,527	1%
12,001- 24,000	391,371	21%	148,582	6%
24,001- 39,000	301,431	16%	275,551	10%
39,001- 60,000	251,925	13%	377,668	14%
60,001- 80,000	145,089	8%	318,738	12%
OVER 80,000	280,952	15%	1,509,678	57%
TOTAL	1,878,783	100%	2,655,744	100%

For Tax Year 2010

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	491,334	27%	18,570	1%
12,001- 24,000	379,344	21%	135,460	6%
24,001- 39,000	299,181	15%	268,620	11%
39,001- 60,000	248,925	14%	361,130	15%
60,001- 80,000	144,736	8%	305,220	12%
OVER 80,000	270,012	15%	1,338,410	55%
TOTAL	1,833,532	100%	2,427,410	100%

For Tax Year 2009

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	533,337	28%	24,573	1%
12,001- 24,000	397,273	21%	150,509	6%
24,001- 39,000	309,742	16%	278,400	11%
39,001- 60,000	256,580	13%	376,757	16%
60,001- 80,000	144,920	8%	311,292	13%
OVER 80,000	262,361	14%	1,292,084	53%
TOTAL	1,904,213	100%	2,433,615	100%

For Tax Year 2008

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	514,586	28%	22,000	1%
12,001- 24,000	377,749	20%	161,000	6%
24,001- 39,000	301,812	16%	269,000	11%
39,001- 60,000	253,458	14%	359,000	15%
60,001- 80,000	146,330	8%	359,000	12%
OVER 80,000	265,237	14%	359,000	55%
TOTAL	1,859,172	100%	1,529,000	100%

Note: Due to legal confidentiality issues, the names of the ten largest individual income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's income tax revenue.

Source: Alabama Department of Revenue
Year 2012 is the most recent data available.

For Tax Year 2007

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	526,003	27%	25,258	1%
12,001- 24,000	416,646	21%	159,353	6%
24,001- 39,000	330,490	17%	289,406	10%
39,001- 60,000	268,594	14%	387,854	14%
60,001- 80,000	151,822	8%	320,206	12%
OVER 80,000	272,191	13%	1,576,154	57%
TOTAL	1,965,746	100%	2,758,231	100%

For Tax Year 2006

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 10,000	372,455	22%	22,525	2%
10,001- 20,000	326,257	20%	107,094	7%
20,001- 40,000	408,237	24%	273,349	18%
40,001- 60,000	216,114	13%	230,940	15%
60,001- 80,000	130,007	8%	192,987	13%
OVER 80,000	211,074	13%	680,800	45%
TOTAL	1,664,144	100%	1,507,695	100%

For Tax Year 2005

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 10,000	382,264	24%	23,678	1%
10,001- 20,000	325,968	20%	114,997	6%
20,001- 40,000	396,010	24%	328,108	17%
40,001- 60,000	206,285	13%	302,402	16%
60,001- 80,000	125,030	8%	267,624	14%
OVER 80,000	185,030	11%	895,822	46%
TOTAL	1,620,587	100%	1,932,631	100%

STATE OF ALABAMA

REVENUE CAPACITY

Principal Revenue Payers: Corporate Income Tax Filers and Liability

Last Seven Years

For Tax Year 2011

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,652	83%	5,579	1%
50,001- 100,000	1,112	5%	5,140	1%
100,001- 500,000	1,594	7%	23,728	6%
500,001- 1,000,000	434	2%	20,141	5%
1,000,001- and higher	729	3%	371,488	87%
TOTAL	22,521	100%	426,076	100%

For Tax Year 2010

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,989	85%	5,448	1%
50,001- 100,000	1,023	5%	4,703	1%
100,001- 500,000	1,398	6%	20,888	5%
500,001- 1,000,000	348	1%	16,250	4%
1,000,001- and higher	689	3%	360,704	89%
TOTAL	22,447	100%	407,993	100%

For Tax Year 2009

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,232	84%	5,295	2%
50,001- 100,000	989	5%	4,498	1%
100,001- 500,000	1,392	6%	19,764	6%
500,001- 1,000,000	377	2%	16,337	5%
1,000,001- and higher	653	3%	279,096	86%
TOTAL	21,643	100%	324,990	100%

For Tax Year 2008

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	19,535	83%	6,316	1%
50,001- 100,000	1,217	5%	5,570	1%
100,001- 500,000	1,624	7%	23,328	5%
500,001- 1,000,000	423	2%	17,709	4%
1,000,001- and higher	783	3%	419,016	89%
TOTAL	23,582	100%	471,939	100%

For Tax Year 2007

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	20,384	82%	6,815	1%
50,001- 100,000	1,400	6%	6,378	1%
100,001- 500,000	1,805	7%	26,855	5%
500,001- 1,000,000	467	2%	21,468	4%
1,000,001- and higher	784	3%	491,206	89%
TOTAL	24,840	100%	552,722	100%

Note: Due to legal confidentiality issues, the names of the ten largest corporate income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's income tax revenue.

Source: Alabama Department of Revenue
Year 2011 is the most recent data available.

For Tax Year 2006

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	20,673	83%	7,355	1%
50,001- 100,000	1,421	5%	6,487	1%
100,001- 500,000	1,735	7%	25,872	5%
500,001- 1,000,000	458	2%	21,311	4%
1,000,001- and higher	767	3%	469,768	89%
TOTAL	25,054	100%	530,793	100%

For Tax Year 2005

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	28,371	89%	6,141	2%
50,001- 100,000	1,166	4%	5,209	1%
100,001- 500,000	1,392	4%	20,079	5%
500,001- 1,000,000	362	1%	16,642	4%
1,000,001- and higher	545	2%	339,126	88%
TOTAL	31,836	100%	387,197	100%

STATE OF ALABAMA
DEBT CAPACITY
Ratios of Outstanding Debt

Last Ten Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

	2013	2012	2011	2010	2009
Primary Government					
Governmental Activities:					
General Obligation Bonds	\$ 699,733	\$ 708,349	\$ 742,217	\$ 769,330	\$ 687,336
Revenue Bonds	3,536,199	2,994,617	3,138,647	3,125,972	2,884,941
Capital Leases/Notes/Mortgages	173,661	181,117	144,811	117,115	43,549
Total Governmental Activities	4,409,593	3,884,083	4,025,675	4,012,417	3,615,826
Business-type Activities:					
Revenue Bonds	649,957	662,924	657,155	638,109	619,360
Capital Leases/Notes/Mortgages	5,442	6,840	8,871	11,688	14,275
Total Business-Type Activities	655,399	669,764	666,026	649,797	633,635
Total Primary Government	\$ 5,064,992	\$ 4,553,847	\$ 4,691,701	\$ 4,662,214	\$ 4,249,461
Debt as a percentage of Personal Income †	2.92%	2.63%	2.80%	2.87%	2.71%
Amount of Debt per Capita †	\$ 1,055	\$ 948	\$ 977	\$ 974	\$ 893

Notes: Details regarding the State's outstanding debt can be found in the note 4 of the financial statements.

Fiscal year 2013 personal income and population data are estimated.

All years presented with revised population and personal income data.

Debt for years prior to 2013 have been restated for the effects of GASB statement 61.

† See the Schedule of Demographic and Economic Statistics on page 299 for personal income and population data.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 721,145	\$ 773,253	\$ 516,973	\$ 507,503	\$ 445,211
2,997,599	1,963,761	2,100,605	2,182,546	2,188,952
41,934	42,352	25,643	32,100	38,370
<u>3,760,678</u>	<u>2,779,366</u>	<u>2,643,221</u>	<u>2,722,149</u>	<u>2,672,533</u>
612,959	572,782	394,044	411,633	337,291
16,224	20,877	39,228	33,986	17,918
<u>629,183</u>	<u>593,659</u>	<u>433,272</u>	<u>445,619</u>	<u>355,209</u>
<u><u>\$ 4,389,861</u></u>	<u><u>\$ 3,373,025</u></u>	<u><u>\$ 3,076,493</u></u>	<u><u>\$ 3,167,768</u></u>	<u><u>\$ 3,027,742</u></u>
2.74%	2.22%	2.13%	2.34%	2.37%
\$ 930	\$ 722	\$ 665	\$ 693	\$ 668

STATE OF ALABAMA

DEBT CAPACITY

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

Fiscal Year	General Obligation Bonds Payable	Revenue Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Personal Income †	Per Capita †
2013	\$ 699,733	\$ 4,186,156	\$ 187,061	\$ 4,698,828	2.71%	\$ 979
2012	708,349	3,657,541	172,030	4,193,860	2.42%	870
2011	742,217	3,795,803	152,556	4,385,464	2.61%	913
2010	769,330	3,764,081	156,883	4,376,528	2.71%	915
2009	687,336	3,504,301	87,100	4,104,537	2.66%	863
2008	721,145	3,610,558	141,953	4,189,750	2.62%	888
2007	773,253	2,523,249	143,580	3,152,922	2.07%	675
2006	516,973	2,492,455	98,154	2,911,274	2.02%	629
2005	507,503	2,591,784	136,384	2,962,903	2.18%	648
2004	445,211	2,523,659	141,739	2,827,131	2.21%	624

Note: Details regarding the State's outstanding debt can be found in the note 4 of the financial statements.

† See the Schedule of Demographic and Economic Statistics on page 299 for personal income and population data.

Debt for years prior to 2013 have been restate for the effects of GASB Statement 61.

Fiscal year 2013 personal income and population data are estimated.

All years presented with revised population and personal income data.

STATE OF ALABAMA

DEBT CAPACITY

Debt Limitations

The *Constitution of Alabama of 1901* prohibits the issuance of debt by the State. The State does issue revenue bonds which are limited obligations of public corporations governed by State officials. General Obligation bonds are issued only by voter ratified amendments to the *Constitution of Alabama of 1901*.

STATE OF ALABAMA

DEBT CAPACITY

Pledged Revenue Coverage – Primary Government Revenue Bonds

Last Ten Fiscal Years

(Amounts in Thousands)

	2013	2012	2011	2010	2009
State Port Authority					
Revenue-Charges for facilities usage	147,508	144,686	121,533	106,460	103,420
Debt Service					
Principal	8,290	7,895	7,525	7,165	6,830
Interest	17,350	17,983	16,775	12,361	14,656
Coverage ¹	5.75	5.59	5.00	5.45	4.81
Alabama College System					
Revenue-Tuition and Fees	170,709	169,874	169,124	148,468	130,763
Debt Service					
Principal	14,226	16,575	15,475	14,955	14,150
Interest	11,351	11,881	11,652	11,393	12,198
Coverage ¹	6.67	5.97	6.23	5.63	4.96
Federal Aid Highway Finance Authority					
Revenue-Federal Revenue	913,307	823,507	923,363	979,460	726,063
Debt Service					
Principal	14,540	13,930	13,605	13,010	12,450
Interest	14,440	3,412	5,259	5,890	6,527
Coverage ¹	31.52	47.49	48.95	51.82	38.26
Alabama Incentives Financing Authority					
Tennessee Valley Exhibit Commission					
Revenue-Tennessee Valley Electric Payment	19,055	20,642	19,903	20,851	20,813
Debt Service					
Principal	6,025	5,045	4,935	140	1,760
Interest	11,919	6,977	7,088	6,638	5,982
Coverage ¹	1.06	1.72	1.66	3.08	2.69

Details regarding the State's outstanding bonds can be found in Note 4 of the financial statements.

¹ Coverage equals revenue divided by debt service.

2008	2007	2006	2005	2004
125,070	109,735	88,155	87,022	77,871
7,250	6,260	5,910	5,575	5,280
13,428	9,770	10,124	10,459	10,749
6.05	6.85	5.50	5.43	4.86
119,710	119,246	114,737	112,875	110,426
14,311	12,970	12,045	9,112	7,527
12,027	9,448	9,968	6,521	5,589
4.55	5.32	5.21	7.22	8.42
831,530	748,952	790,928	648,831	548,830
11,920	11,415	10,910	10,430	9,970
7,136	7,669	8,123	8,550	8,983
43.64	39.25	41.56	34.18	28.96
19,313	18,328	18,592	17,462	16,169
2,630	2,480	2,340	2,205	2,095
6,202	7,473	7,920	7,508	7,001
2.19	1.84	1.81	1.80	1.78

Continued on next page

STATE OF ALABAMA

DEBT CAPACITY

Pledged Revenue Coverage – Primary Government Revenue Bonds

(Continued from previous page)

Last Ten Fiscal Years

(Amounts in Thousands)

	2013	2012	2011	2010	2009
Public School and College Authority					
Revenue-General Sales Tax, Utility Tax, Use Tax	2,353,497	2,441,387	2,370,684	2,328,626	2,307,959
Debt Service					
Principal	163,325	101,770	69,180	71,235	130,720
Interest	108,860	123,123	114,892	132,698	116,126
Coverage ¹	8.65	10.86	12.88	11.42	9.35
Mental Health Financing Authority					
Revenue-Cigarette Tax	5,652	5,930	6,121	6,205	6,364
Debt Service					
Principal	1,400	1,325	1,255	1,190	4,710
Interest	448	195	234	270	505
Coverage ¹	3.06	3.90	4.11	4.25	1.22
Alabama Revolving Fund Authority					
Revenue-Mobile Telecommunications Tax	80,511	82,404	94,790	105,919	108,781
Debt Service					
Principal	885	865	-	515	475
Interest	962	984	746	702	743
Coverage ¹	43.59	44.57	127.06	87.03	89.31
Alabama Twenty-first Century Authority					
Revenue-Tobacco Settlement	13,000	13,000	13,000	13,000	13,000
Debt Service					
Principal	180	6,530	6,205	5,910	5,625
Interest	4,287	7,110	6,339	6,659	6,958
Coverage ¹	2.91	0.95	1.04	1.03	1.03

Details regarding the State's outstanding bonds can be found in Note 4 of the financial statements.

¹ Coverage equals revenue divided by debt service.

2008	2007	2006	2005	2004
2,514,550	2,482,747	2,374,944	2,162,285	2,048,794
91,215	87,765	110,240	72,640	68,290
93,359	72,688	76,720	78,218	77,371
13.62	15.47	12.70	14.33	14.07
6,562	6,828	6,996	6,929	4,188
4,775	4490	4,420	5,590	5,400
745	969	1,145	2,544	2,302
1.19	1.25	1.26	0.85	0.54
101,287	101,057	90,919	84,892	75,895
440	405	370	345	315
780	815	847	876	903
83.02	82.83	74.71	69.53	62.31
13,000	13,000	13,000	13,000	13,000
5,360	5,100	4,855	4,660	4,490
7,241	7,513	7,773	8,022	8,262
1.03	1.03	1.03	1.03	1.02

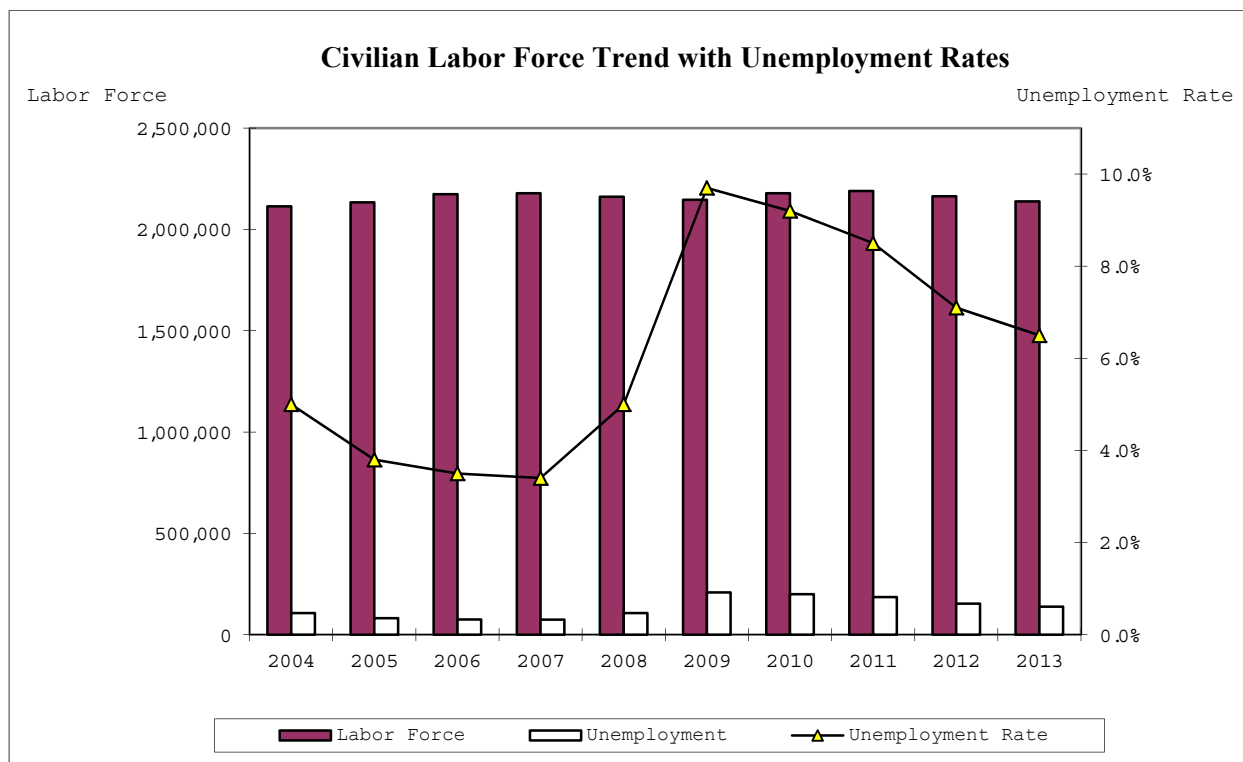
STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Labor Force Statistics

Last Ten Years

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2004	2,113,781	2,007,153	106,628	5.0%
2005	2,133,177	2,051,893	81,284	3.8%
2006	2,173,817	2,098,462	75,355	3.5%
2007	2,178,480	2,104,157	74,323	3.4%
2008	2,160,934	2,053,747	107,187	5.0%
2009	2,145,622	1,936,662	208,960	9.7%
2010	2,178,219	1,978,198	200,021	9.2%
2011	2,189,650	2,003,695	185,955	8.5%
2012	2,163,035	2,009,603	153,432	7.1%
2013	2,138,048	1,999,848	138,200	6.5%



Note: Data were not seasonally adjusted.

2009-2013 data reflects revised population controls and model reestimation with the Bureau of Labor Statistics.

Sources: Local Area Unemployment Statistics, Bureau of Labor Statistics, U. S. Department of Labor

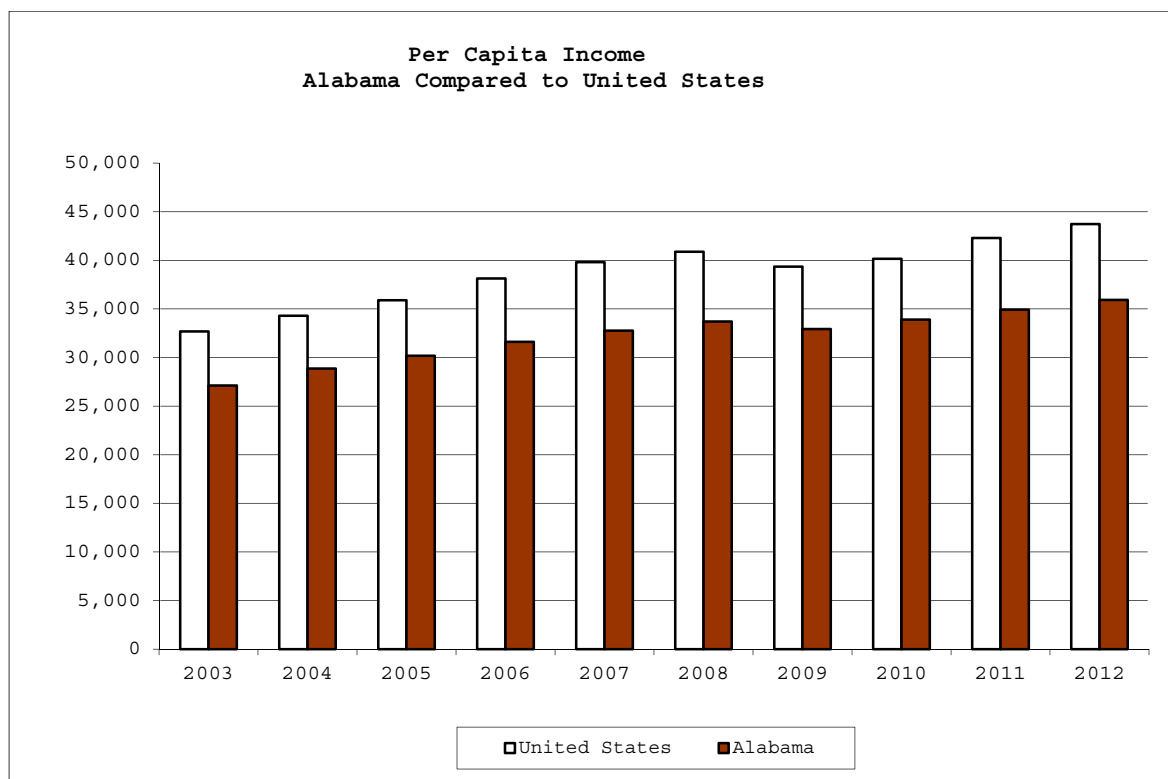
STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population/Per Capita Personal Income Statistics

Last Ten Years

Year	Population		Per Capita Personal Income		Personal income (in Thousands)	
	United States	Alabama	United States	Alabama	United States	Alabama
2003	290,107,933	4,503,491	32,676	27,115	9,479,611,000	122,113,945
2004	292,805,298	4,530,729	34,300	28,861	10,043,284,000	130,761,503
2005	295,516,599	4,569,805	35,888	30,188	10,605,645,000	137,952,255
2006	298,379,912	4,628,981	38,127	31,606	11,376,460,000	146,303,967
2007	301,231,207	4,672,840	39,804	32,765	11,990,244,000	153,104,016
2008	304,093,966	4,718,206	40,873	33,701	12,429,284,000	159,009,262
2009	306,771,529	4,757,938	39,357	32,930	12,073,738,000	156,677,574
2010	309,326,225	4,784,762	40,163	33,905	12,423,332,000	162,228,293
2011	311,587,816	4,803,689	42,298	34,929	13,179,561,000	167,786,623
2012	313,914,040	4,822,023	43,735	35,926	13,729,063,000	173,236,230



Note: Year 2012 is the most recent year for which data are available.

Each year's data is updated by the U.S. Department of Commerce.

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Top Ten Employers in Alabama

Last Ten Years

Employer	2013			2012		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.96%	30,000-39,999	1	1.93%
Army	20,000-29,999	2	1.39%	20,000-29,999	2	1.38%
Mobile Education Board	5,000-9,999	3	0.41%	5,000-9,999	3	0.41%
University Of Alabama In Birmingham	5,000-9,999	4	0.41%	5,000-9,999	5	0.41%
U S Postal Service	5,000-9,999	5	0.41%	5,000-9,999	4	0.41%
Alabama Power Co Electric	5,000-9,999	6	0.41%	5,000-9,999	6	0.41%
Regions Bank	5,000-9,999	7	0.41%	5,000-9,999	8	0.41%
Huntsville Hospital	5,000-9,999	8	0.41%	5,000-9,999	9	0.41%
Publix Alabama LLC	5,000-9,999	9	0.41%	-	-	-
Auburn University	5,000-9,999	10	0.41%	-	-	-
The University of Alabama	-	-	-	5,000-9,999	10	0.41%
Univ. Of Alabama In Birmingham Medical Center	-	-	-	5,000-9,999	7	0.41%
	90,000-149,990		6.63%	90,000-149,990		6.59%
Employer	2011			2010		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.93%	30,000-39,999	1	1.94%
Army	20,000-29,999	2	1.38%	20,000-29,999	2	1.39%
Mobile Education Board	5,000-9,999	3	0.41%	5,000-9,999	4	0.42%
University Of Alabama In Birmingham	5,000-9,999	5	0.41%	5,000-9,999	6	0.42%
Alabama Power Co Electric	5,000-9,999	6	0.41%	5,000-9,999	7	0.42%
Univ. Of Alabama In Birmingham Medical Center	5,000-9,999	8	0.41%	5,000-9,999	8	0.42%
U S Postal Service	5,000-9,999	4	0.41%	5,000-9,999	3	0.42%
Regions Bank	5,000-9,999	7	0.41%	5,000-9,999	5	0.42%
Huntsville Hospital	5,000-9,999	9	0.41%	5,000-9,999	10	0.42%
Pilgrims Pride Corporation	-	-	-	5,000-9,999	9	0.42%
The University of Alabama	5,000-9,999	10	0.41%	-	-	0.00%
	90,000-149,990		6.59%	90,000-149,990		6.69%

Note: All figures are based on March of each year. Percentage of Total State Employment is based on the midpoints in the ranges given. State of Alabama is excluded.

Source: Alabama Department of Labor - Labor Market Information Division

Employer	2009			2008			2007		
	Employment	Rank	% of	Employment	Rank	% of	Employment	Rank	% of
	Range		Total State Employment	Range		Total State Employment	Range		Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.90%	30,000-39,999	1	1.80%	30,000-39,999	1	1.79%
Army	20,000-29,999	2	1.36%	20,000-29,999	2	1.28%	20,000-29,999	2	1.28%
Mobile Education Board	5,000-9,999	4	0.41%	10,000-19,999	3	0.77%	10,000-19,999	4	0.77%
University Of Alabama In Birmingham	5,000-9,999	6	0.41%	5,000-9,999	6	0.39%	5,000-9,999	6	0.38%
Alabama Power Co Electric	5,000-9,999	7	0.41%	5,000-9,999	7	0.39%	5,000-9,999	9	0.38%
U. Of Ala In Bham Medical Center	5,000-9,999	8	0.41%	5,000-9,999	9	0.39%	5,000-9,999	8	0.38%
U S Postal Service	5,000-9,999	3	0.41%	5,000-9,999	4	0.39%	10,000-19,999	3	0.77%
Winn Dixie Montgomery	5,000-9,999	5	0.41%				5,000-9,999	10	0.38%
Regions Bank	5,000-9,999	9	0.41%	5,000-9,999	5	0.39%	5,000-9,999	5	0.38%
Pilgrims Pride Corporation	5,000-9,999	10	0.41%	5,000-9,999	8	0.39%	5,000-9,999	7	0.38%
Huntsville Hospital	-	-	-	5,000-9,999	10	0.39%	-	-	-
	95,000-159,990		6.54%	95,000-159,990		6.58%	100,000-169,990		6.89%
Employer	2006			2005			2004		
	Employment	Rank	% of	Employment	Rank	% of	Employment	Rank	% of
	Range		Total State Employment	Range		Total State Employment	Range		Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.82%	30,000-39,999	1	1.87%	30,000-39,999	1	1.91%
Army	20,000-29,999	2	1.30%	20,000-29,999	2	1.33%	20,000-29,999	2	1.36%
Mobile Education Board	5,000-9,999	3	0.39%	5,000-9,999	3	0.40%	5,000-9,999	3	0.41%
University Of Alabama In Birmingham	5,000-9,999	4	0.39%	5,000-9,999	4	0.40%	5,000-9,999	5	0.41%
Alabama Power Co Electric	5,000-9,999	5	0.39%	5,000-9,999	7	0.40%	5,000-9,999	6	0.41%
U. Of Ala In Bham Medical Center	5,000-9,999	6	0.39%	5,000-9,999	8	0.40%	5,000-9,999	9	0.41%
U S Postal Service	5,000-9,999	7	0.39%	5,000-9,999	9	0.40%	5,000-9,999	8	0.41%
Gold Kist Inc	5,000-9,999	8	0.39%	5,000-9,999	10	0.40%	5,000-9,999	10	0.41%
Winn Dixie Montgomery	5,000-9,999	9	0.39%	5,000-9,999	6	0.40%	5,000-9,999	7	0.41%
Brunos Supermarkets Inc	-	-	-	5,000-9,999	5	0.40%	5,000-9,999	4	0.41%
Regions Bank	5,000-9,999	10	0.39%	-	-	-	-	-	-
	90,000-149,990		6.24%	90,000-149,990		6.40%	85,000-139,990		6.54%

STATE OF ALABAMA

OPERATING INFORMATION

State Government Employment by Function

Last Ten Years

	2013	2012	2011	2010	2009
Primary Government					
Governmental Activities:					
Economic Development and Regulation	719	724	745	802	881
Education and Cultural Resources	1,111	1,089	1,183	1,254	1,200
Natural Resources and Recreation	1,453	1,483	1,476	1,451	1,454
Health	5,069	6,032	5,403	5,626	5,513
Social Services	5,713	5,696	5,911	6,108	5,966
Protection of Person and Property	8,253	8,422	8,137	8,521	8,445
Transportation	4,795	4,963	4,989	5,363	5,301
General Government	4,048	4,031	4,464	4,587	4,686
Total Governmental Activities	31,161	32,440	32,308	33,712	33,446
Business-type Activities:					
Alcoholic Beverage Control Board	896	899	906	902	901
State Port Authority	187	188	181	185	193
Alabama Community College System	1,879	1,941	1,953	1,950	1,937
Total Business-Type Activities	2,962	3,028	3,040	3,037	3,031
Total Primary Government	34,123	35,468	35,348	36,749	36,477

Note: Includes State Merit System, House, Senate, and Administrative Office of the Courts.

Sources: Alabama Personnel Department
Alabama Commission on Higher Education
Alabama Administrative Office of the Courts
Alabama House of Representatives
Alabama Senate

2008	2007	2006	2005	2004
881	882	836	824	835
1,226	1,210	1,117	1,104	1,086
1,608	1,378	1,460	1,383	1,486
5,644	5,493	5,167	4,890	4,818
5,968	6,163	6,277	6,313	6,323
8,317	8,057	7,842	7,733	7,590
5,368	5,263	5,169	5,138	5,013
4,731	4,458	4,173	4,124	4,166
33,743	32,904	32,041	31,509	31,317
898	895	851	778	753
200	184	165	150	142
1,916	1,885	1,792	1,766	1,796
3,014	2,964	2,808	2,694	2,691
36,757	35,868	34,849	34,203	34,008

STATE OF ALABAMA

OPERATING INFORMATION

Indicators of Demand or Level of Service

Last Eight Fiscal Years

	2013	2012	2011	2010	2009
Economic Development and Regulation					
Forestry Commission					
Number of fires	1,682	1,421	3,665	2,314	2,094
Average acres burned	13	12	19	11	11
Agriculture and Industries					
Pounds of meat processed under inspection	104,532,371	87,148,545	92,168,293	111,056,537	97,868,453
Educational and Cultural Resources					
Education Department					
Teachers	46,232	46,073	47,573	48,165	49,364
Number of local schools supported	1,491	1,496	1,523	1,520	1,376
Number of children served	740,567	743,130	749,084	739,198	739,197
Natural Resources and Recreation					
Conservation and Natural Resources					
Number of guests to outdoor recreational sites	4,231,342	3,992,768	3,899,694	3,758,217	3,366,161
Acres of land managed	424,621	318,535	293,559	210,834	198,802
Number of registered boats	266,697	266,003	250,402	248,514	271,206
Health - Physical and Mental					
Public Health					
Vital records issued	552,565	471,065	440,327	432,547	479,904
Medicaid					
Average number of monthly recipients	422,448	416,558	411,062	397,583	375,542
Average Number of claims processed monthly	1,830,587	1,799,182	1,785,966	1,726,496	1,631,021
Social Services					
Industrial Relations					
Employment Security claims	256,490	284,253	346,020	359,287	506,603
Human Resources					
Number of visits to licensed child care centers	2,420	2,581	3,203	3,254	3,435
Child support caseload	236,273	236,000	234,000	229,000	229,635
Households receiving food assistance	421,302	411,710	387,214	344,788	280,625
Number of child abuse/neglect assessments	20,456	19,884	19,538	17,221	n/a
Protection of Persons and Property					
Department of Corrections					
Number of inmates	25,340	25,376	25,651	25,390	25,854
Public Safety					
Arrest tickets issued	289,757	411,086	436,802	533,220	568,505
Accidents investigated	29,150	31,544	30,227	30,520	30,904
Pardons and Paroles					
Number of board decisions	9,450	11,946	11,097	10,284	12,954
Number of offenders supervised	64,525	67,339	75,132	71,578	67,579
Forensic Sciences					
Number of death cases investigated	2,464	2,394	2,476	2,403	2,512
Transportation					
Transportation Department					
Roadway miles	10,871	10,870	10,849	10,876	10,877
Bridges	5,393	5,390	5,395	5,374	5,368
General Government					
Administrative Office of Courts					
Caseload	1,814,366	2,039,383	2,248,910	2,589,067	2,611,460
Revenue Department					
Number of payments received	2,925,412	3,460,511	4,368,358	3,318,271	3,296,454

2008	2007	2006
2,450	4,591	4,932
10	16	15
105,603,617	88,835,448	88,823,389
49,364	49,574	47,319
1,367	1,358	1,364
744,000	739,552	742,977
3,082,009	3,031,646	2,961,506
197,451	10,946	8,298
273,406	273,987	243,483
517,723	584,475	501,984
350,646	n/a	n/a
1,500,484	n/a	n/a
285,075	237,697	237,389
4,060	3,650	2,946
228,479	228,019	229,078
231,470	226,855	209,316
29,301	28,566	27,216
25,303	27,062	24,159
538,910	407,289	324,627
33,115	31,939	36,147
12,158	11,546	13,375
66,196	58,862	49,269
4,098	3,607	3,756
10,875	11,235	10,846
5,362	5,683	5,328
2,589,796	2,353,372	2,041,982
3,304,603	n/a	n/a

STATE OF ALABAMA

OPERATING INFORMATION

Indicators of Volume, Usage, and Nature of Capital Assets

Last Ten Fiscal Years

	2013	2012	2011	2010	2009
Economic Development and Regulation					
Forestry Commission					
Buildings	159	159	159	160	159
Vehicles	307	303	360	379	380
Heavy Equipment	569	547	569	654	657
Educational and Cultural Resources					
Education Television					
Buildings	25	25	25	26	26
Natural Resources and Recreation					
Conservation and Natural Resources					
Buildings	678	671	677	678	668
Vehicles	761	739	740	760	778
Heavy Equipment	223	218	222	214	211
Health					
Environmental Management					
Vehicles	185	173	177	183	163
Mental Health					
Buildings	189	190	190	190	251
Vehicles	80	91	134	132	132
Social Services					
Human Resources					
Buildings	36	36	34	31	30
Protection of Persons and Property					
Agriculture and Industries					
Vehicles	163	154	165	246	249
Corrections					
Buildings	399	391	385	370	370
Vehicles	535	503	504	446	421
Military					
Buildings	641	647	657	665	669
Public Safety					
Vehicles	1,184	1,089	1,372	1,353	1,275
Youth Services					
Buildings	112	113	114	115	118
Vehicles	86	85	114	106	103
Pardons and Paroles					
Vehicles	319	312	329	321	322
Transportation					
Transportation					
Buildings	583	562	526	510	510
Vehicles	2,193	2,099	2,276	2,039	2,062
Heavy Equipment	1,096	1,032	1,092	1,093	1,061
General Government					
Administrative Office of Courts					
Vehicles	14	14	22	23	22
Revenue Department					
Vehicles	28	29	34	29	26

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
142	142	142	142	142
371	397	326	322	307
671	690	682	741	715
24	24	24	24	24
659	631	611	609	604
774	759	689	672	645
207	211	212	210	213
178	189	196	192	172
359	359	362	415	415
184	172	167	158	158
31	30	30	30	30
234	233	236	222	186
362	362	362	362	345
446	448	404	332	332
680	642	688	688	688
1,375	1,357	1,159	1,287	1,062
119	118	118	118	118
101	96	89	82	74
305	262	252	248	211
501	473	472	472	471
2,343	2,379	2,356	2,389	2,241
1,146	1,127	1,130	1,184	1,138
20	17	7	7	7
27	27	27	37	24